Austria Sch. 20; Bahrain Din 0.650; Belgium BFr 45; Canada C$1.00; Cyprus C£0.75; Denmark DKr 8.00; Egypt E£1.00; Finland Fmk 6.50; France FFr 6.50; Germany DM 2.20; Greece Dr 80; Hong Kong HK$ 12; India Rup. 15; Indonesia Rp 3100; Israel Shk 3.50; Italy L 1500; Japan Y500; Jordan Fils 500; Kuwait Fils 500; Lebanon £1 25.00; Luxembourg LFr 45; Malaysia Rin 4.25; Mexico Pes. 300; Morocco Dh 6.00; Netherlands Fl 2.75; Norway Nkr. 7.00; Philippines Pes. 20; Portugal Esc 100; S. Arabia Rls 6.00; Singapore S$ 4.10; Spain Pta 125; Sri Lanka Rup 30; Sweden Skr 7.00; Switzerland SFr 2.20; Taiwan NT $65; Tunisia Din 1.375; Turkey L 350; U.A.E. Dh 6.50; U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,066 Friday October 24 1986 D 8523 B

German Greens enter new battle, Page 2

World news

US calls truce in expulsions battle

The US drew back from ordering further expulsions of Soviet diplomats in response to the Soviet Union's decision to stop US missions employing local Soviet staff.

Mr Charles Redman, chief State Department spokesman, said: "We hope this set of issues can now be put behind us. We need now to get on with the larger issues and build on the progress made at Reykjavik." Page 22

Meanwhile in Chicago, Chancellor Helmut Kohl of West Germany warned of "new challenges" to European security. Page 3

Japan arms move

Japanese Foreign Minister Tadashi Kuranari has asked the Soviet Union to withdraw all its intermediate-range nuclear forces deployed in the Asian region. Page 5

Coalition survives

Ireland's coalition Government narrowly won a parliamentary confidence vote, avoiding an early general election. Page 3

Belgian crisis

Belgium's centre-right coalition government called for a "period of reflection" in an attempt to ease the country's bitter political crisis. Page 22

Lebanese battle

At least 11 people were reported killed in fierce fighting between Palestinian and Shia Moslem gunmen at the Rashidiyeh refugee camp near Tyre in south Lebanon.

Bokassa jailed

Former Central African emperor *Jean-Bedel Bokassa* returned home from exile in France unexpectedly and was promptly arrested. The Bangui Government issued a public reminder that he had been sentenced to death in his absence. Page 5

Walesa US trip off

Polish authorities refused to give a passport to Solidarity chairman Lech Walesa so he could visit the US to receive a $10,000 charity prize from the private John-Roger Foundation.

Cheysson in Laos

European Commissioner Claude Cheysson arrived in Laos to discuss development aid on the first visit by a West European official since the communists took power in 1975.

Locust war success

A $35m international campaign to save African food production from plagues of locusts and grasshoppers has been a substantial success, the UN Food and Agriculture Organisation said. Page 5

Tunisia poll boycott

Two more Tunisian political parties said they would join an opposition boycott of general elections on November 2 after a government decision to disqualify some of their candidates.

Pakistan air crash

A *Pakistan International Airlines* plane crashed near the Afghan border as it was trying to land. Early reports indicated more than 40 people died.

Dutch minister quits

Dutch Housing Secretary of State Gerrit Brokx, embarrassed by recent revelations of a huge housing subsidy swindle, handed in his resignation.

Diplomat escapes

Greece's military attache in Lebanon escaped an apparent kidnap attempt in Moslem west Beirut by speeding away from two gunmen in a pursuing vehicle.

Business summary

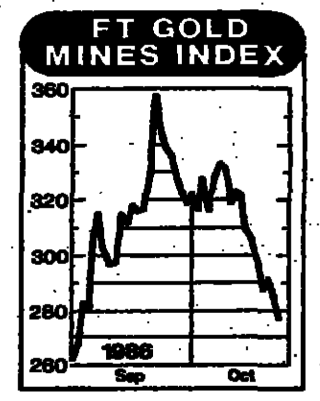
Manila expected to receive IMF loan

THE PHILIPPINES is expected today to receive approval of a $512m loan package from the International Monetary Fund, setting the stage for commercial bank and World Bank loans, Reuter reports from Washington.

WALL STREET: The Dow Jones industrial average closed up 28.58 at 1,834.93. Page 44

LONDON: Securities market was upset by a poor set of September trade figures, and the FT Ordinary index ended down 12.5 at 1,249.9. Page 44

TOKYO: In its strongest-ever rebound the Nikkei average soared 488.72 to close at 16,308.27. Page 44



GOLD rose $1 to $424.75 on the London bullion market. It also rose in Zurich to $424.75 from $424.25. Page 36

DOLLAR closed in New York at DM 2.020; SFr 1.6570; FFr 6.5850 and Y159.25. It rose in London to DM 1.9945 (DM 1.9845); FFr 6.5300 (FFr 6.5000); SFr 1.6430 (SFr 1.6300); and Y158.15 (Y155.80). On Bank of England figures the dollar's index rose to 109.9 from 109.3. Page 37

STERLING closed in New York at $1.4235. It fell in London to $1.4240 ($1.4320). It also fell to SFr 2.34 (SFr 2.35) and FFr 9.2975 (FFr 9.3050), was unchanged at DM 2.84 and rose to Y225.25 (Y223.00). The pound's exchange rate index fell 0.1 to 67.5. Page 37

NORSK HYDRO, the Norwegian energy, chemicals and metals group, suffered a severe drop in profits in the third quarter and plunged into loss in its fertiliser and petrochemicals operations. Page 23

FIAT is expected today to produce its long-awaited bid to beat off an attempt by Ford to take over Italy's struggling Alfa Romeo car company. Page 23

US COMMERCE Department reported a surge in orders for heavy manufactured products in September, powered by demand for transportation equipment. Page 4

PRESSES de la Cité battle for control took an unexpected turn with an agreement between rival bidders, Carlo De Benedetti and Sir James Goldsmith. Page 23

BANKAMERICA, the troubled US banking group, has finalised deals to sell off a third of its retail branches in Argentina, belonging to its local subsidiary Bank of America. Page 23

CHUBB, the US casualty and property insurance company, has reported a rapid acceleration in earnings growth with net profits for the *third quarter rising* to $80.7m from $16.5m a year earlier.

ARMCO, the fifth largest steel maker in the US, has reported a further deterioration in its performance with a net third-quarter loss, including special items, of $59m against a profit of $78.2m a year earlier. Page 25

HUGHES TOOL, the world's biggest manufacturer of drilling bits, has accepted a $458m bid from Baker International. Page 25

FRANZ Steinkühler, new head of the West German metalworkers' union IG Metall, launched a campaign for a 35-hour working week and refused to rule out strikes. Page 2

US chip makers plan $1bn collaboration

BY LOUISE KEHOE IN SAN FRANCISCO

LEADING US semiconductor companies are putting together a proposal for a $1bn collaborative project in advanced chipmaking. The project is designed to re-establish the US as the world leader in microchip technology and is expected to be partly funded by the Government.

Although no formal request for government funds has yet been made, the project already has the tacit support of the US Defence Department, which is increasingly concerned about the growing dependence of the military on foreign made chips.

Government funding for the project will be essential, according to senior industry executives who have been studying the feasibility of the project for several months on behalf of the Semiconductor Industry Association, an influential trade organisation that led the recent campaign which secured a broad US-Japanese agreement on international trade in microchips.

Industry executives expect as much as half of the estimated $1bn cost of the five-year project to come from the Government, most probably from the Defence Department. Some suggest that the project might be funded as part of President Reagan's Strategic Defence Initiative, which will require advanced semiconductor and computer technology.

A Defence Department report highlighting the dangers of the US losing its lead in strategically important semiconductor manufacturing technology is expected to be published before the end of the year.

The industry expects to have its proposals completed at about the same time.

Analysts at Dataquest, a leading industry research company, believe government subsidies similar to those provided for agriculture are now "inevitable" for American chipmakers, many of which have suffered heavy losses in the past 18 months.

The planned "semiconductor manufacturing technology" project, known as Sematech, will bring together the major US chip makers, their equipment and materials suppliers as well as major chip buyers in a joint effort to advance chip production technology significantly.

"It is clear that none of us can afford to develop this technology alone," said the president of one of the largest US chip manufacturers.

Companies involved in planning the project include National Semiconductor, Intel, Advanced Micro Devices and Harris.

Details of the project are still being worked out, but the industry executives envisage a jointly operated manufacturing facility for the large volume commercial production of 16 megabit dynamic random access memories. These devices, intended for use in almost all types of computers and electronic equipment, would be able to store 16 times more data than the most powerful memories available today.

US chip makers hope the project will enable them to regain the lead in the world Dram market, where Japanese companies have captured 90 per cent of sales in the past few years. Still more important, the US companies believe the project would equip them with advanced manufacturing technology needed for a variety of other components.

The Sematech project is said to command virtually unanimous support from the US industry, which believes the recent US-Japanese trade agreement is only a partial solution to its problems.

However, some executives fear that if the Defence Department acquires too much control over Sematech, the project might be dominated by military requirements and produce little commercially useful technology.

If the Pentagon does fund Sematech, it will not be the first effort by the Defence Department to shore up US semiconductor technology.

With its $1bn very high speed integrated circuits (VHSIC) programme, the department has funded major research and development projects aimed at meeting military chip requirements. This programme does not, however, involve the type of industry-wide co-operation suggested for Sematech.

Precedents for such co-operation have, however, been set by two electronics industry research consortia formed in the past few years. These are the Microelectronics and Computer Corporation (MCC) and the Semiconductor Research Co-operative (SRC).

In MCC, member companies contribute funds and engineering experts for joint research and development projects. The results of the research are shared among members, while the SRC co-ordinates the funding of university research projects on behalf of its members.

Like MCC and SRC, Sematech would require US Justice Department approval to ensure that it does not run foul of US anti-trust laws, industry executives believe.

In Western Europe, Siemens of West Germany and Philips of the Netherlands are already working on a $1bn joint research project in advanced microchip memories with support from their governments.

Editorial comment, Page 20

Britain threatens to act alone in row with EEC over air fares

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

BRITAIN is set to move unilaterally towards creating greater air services competition in Western Europe, in a move designed to offer cheaper fares, if EEC transport ministers fail to agree a common liberalisation policy.

With Britain's presidency of the EEC due to end in two months, Mr Michael Spicer, the Aviation Minister, is drawing up a package of measures for submission to the next meeting of EEC transport ministers on November 10 and 11.

"Unless the Council (of transport ministers) can agree to it, or something very like it, we will have no alternative but to introduce our own machinery, under Article 88 of the Treaty of Rome, to scrutinise and rule on air transport competition issues in the Community," Mr Spicer said in London yesterday.

Repeated attempts in recent years to achieve more liberal aviation regulations in Europe have been thwarted by the desire of many continental European airlines to retain the status quo. Greece and the Scandinavians, in particular, have accused Britain of seeking to do too much too soon and not understanding the complexities involved.

The last ministers' meeting, on October 2, broke up without agreement, with the Dutch expressing concern that Britain, which had attempted to promote a cautious compromise with other EEC states, was not going far enough on liberalisation.

It is believed in London that the Dutch will, however, support Britain's move for a stronger package of measures next month.

Mr Spicer told an Airfinance Journal conference in London yesterday that the package now being prepared by the UK would be to allow airlines to offer a greater choice of cheaper fares without any of the previous restrictive conditions of use. Both tourist class and business class fares would be involved.

Airlines would also be able to mount additional services, or enter new markets, as and when they chose.

"There is no question," declared Mr Spicer, "of the UK agreeing to any arrangement which does not satisfy the principle that airlines must be able to compete on major routes."

Any European airlines seeking exemption from the competition rules of the Treaty of Rome would first have to show they were prepared to allow much more freedom on fares, capacity and market access.

"We are not opposed in principle to exemptions from the competition rules, providing the rest of the package is sufficiently liberal to allow a proper measure of competition," said Mr Spicer.

The UK's proposed package thus contained elements that were "interdependent and indivisible," representing "a realistic step towards total liberalisation."

The UK remained "totally committed to the goal of creating a genuinely liberal internal market in aviation in Europe," Mr Spicer said.

The aim was to have that market in place by 1992. Britain was aiming to devise an acceptable package of measures for the next three years "which will itself confer real and early benefits on consumers."

It was acting in the fundamental belief that the European Economic Community means above all an internal market for services as well as goods. If the Transport Council failed to reach an agreement on aviation matters the UK stood ready to live by the consequences.

"In this event, we shall press on relentlessly with more bilateral agreements with any country willing to treat with us."

The Commission's recent action in writing to airlines warning them of the consequences of breaching the current rules "will inevitably lead straight back to the European Court with the prospect of years of litigation, ad hoc judgments and an uncertain future," Mr Spicer said.

Ford lifts earnings to record $693m

By David Blackwell in New York

FORD, the second biggest US motor manufacturer which is on course to top General Motors' net income this year for the first time since the Second World War, boosted net earnings by 121 per cent for the third quarter to another record.

The perennial number two to GM is riding high on the benefits of a successful new product programme and continuing reductions in costs. Its earnings for the quarter of $693m or $2.61 a share on sales of $14.4bn are in sharp contrast to GM's $338.5m operating loss and static sales of $22.6bn, reported on Wednesday. In the third quarter of 1985, Ford earned $313m on sales of $11.6bn.

Chrysler, the third largest US car maker, yesterday also reported earnings for the quarter well down at $234.9m, struck on record sales of $5.2bn. Mr Lee Iacocca, its flamboyant chairman, was, however, well satisfied with the result.

Ford's sparkling performance, which Wall Street acknowledged with a rise of $2¼ to $57⅞ in the share price, follows a second quarter outcome that topped $1bn for the first time. It was 91 per cent ahead of its previous best third quarter, set in 1984.

The group attributed the latest advance to higher unit sales and a more profitable product mix in North America. Productivity improved worldwide, while the disposal of its North American paint operation and Ford Aerospace's inter-

Continued on Page 22
Lex, Page 22; Chrysler results, Page 23

Japan car groups boost sales in Europe 21%

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

JAPANESE producers sold a record 1m new cars in the 17 major West European markets in the first nine months of this year, nearly 21 per cent more than in the same period of 1985.

The two major Japanese automotive groups, Toyota and Nissan, overtook BMW, the specialist West German producer, in the first nine months and Nissan is closing fast on Austin Rover of the UK.

Unofficial industry estimates for the nine months show why the Japanese face increasing protectionist pressures in Western Europe.

The statistics provide clear evidence that the Japanese have substantially increased exports to Europe because in the US, their biggest export market, they face considerable difficulties following the steep rise in the value of the yen against the dollar.

West Germany has borne the brunt of the Japanese attack. In the nine months the volume of Japanese cars sold there rose by 30 per cent compared with January-September 1985 to 312,000. This boosted the Japanese market share from 13.2 per cent to 14.8 per cent.

Already there have been thinly veiled warnings that Germany, the last of the major car markets in Europe not to impose restrictions on Japanese imports, might be obliged to erect trade barriers.

Mr Hans-Erdmann Schoenbeck, president of the German vehicle manufacturers association, the VDA, said recently Germany could not become the dumping ground for Japanese automobile products in Europe. "In a world where numerous nations are closing their doors to Japanese producers, it is unacceptable that goods which cannot be sold elsewhere are simply shipped to Germany," he said.

"This leads in a direction in which the free trade in goods will be endangered in the highest fashion."

The Japanese Ministry of International Trade and Industry in June urged car makers to cut the growth of exports to Europe, but

Continued on Page 22

WEST EUROPEAN NEW CAR SALES

	First nine months 1985	1986
	Market shares %	
Volkswagen-Audi-Seat	14.2	14.4
Fiat-Lancia-Autobianchi	12.4	12.6
Ford	12.0	11.9
General Motors (Opel-Vauxhall)	11.5	11.2
Peugeot-Citroen-Talbot	11.2	11.1
Renault	10.5	10.0
Austin Rover	4.1	3.7
Daimler-Benz (Mercedes)	3.7	3.7
Nissan	2.9	3.1
Toyota	2.6	3.0
BMW	2.8	2.6
All Japanese	10.8	12.0
Total sales	8.23m	8.92m

Source: Industry estimates.

UK brokers accused of moves to re-establish fees cartel

BY CLIVE WOLMAN IN LONDON

BRITAIN'S leading stockbroking firms have been accused of secretly reimposing a commissions cartel ahead of Monday's Big Bang financial deregulation, when the Stock Exchange officially abandons its minimum commissions scale.

The stock exchange's agreement in 1983, under Government pressure, to abandon the cartel was the main factor leading to next week's reforms.

According to the investment manager of one of the largest insurance companies: "There appears to be an arrangement that no one will go below 0.2 per cent as the basic charge, however much extra business we offer them to do so. It's remarkable how they are all sticking to the same figure."

The chairman of a large merchant bank fund management group said yesterday: "You can't call it negotiation. The broking houses have all decided 0.2 per cent on most bargains and that's it."

However, the directors of the leading broking firms have strongly denied their involvement in any secret price-fixing agreement. Earlier this month Rowe and Pitman, Mullens, the broking firm owned by Mercury International, led the way by offering to cut its rates to 0.2 per cent, or $2,000 per $1m of transactions. Their leading competitors were then forced to follow suit as their fund manager clients were concerned not to be seen paying above the lowest rate. All the brokers are now hoping that the 0.2 per cent rate will not be undercut.

A few broking firms outside the top 10, which lack strong research teams, have already offered a lower rate and a few of the largest institutional investors are still looking for ways of winning further discounts. *The greatest threat to the brokers,* though, is that most investors will by-pass them completely and deal directly with the market-makers. Estimates of the proportion of deals likely to be done directly after six months vary from 30 to 60 per cent.

Some fund management houses have decided to concentrate all their commission payments on just a few stockbroking firms and to demand in return the lowest commission rates and priority service.

The stock exchange has meanwhile issued a tough new set of requirements for market-makers, in particular those who refuse to answer their telephones, as part of the new system of trading in securities which begins next week.

The stock exchange Council has advised firms that have difficulty in contacting over the telephone the market-maker who is quoting the best price in a security to keep a record of their attempts and give the details to the markets supervision section of the exchange.

Mr Keith Goldie-Morrison, of the exchange's markets committee, said earlier the exchange will discipline a market-maker who refuses to answer his telephone because he wishes to avoid dealing in the prices he has quoted on the Stock Exchange Automated Quotations system (Seaq). At the rehearsal for Big Bang last Saturday, several market-makers who were unable to update their prices on Seaq quickly because of defects in their computer link-ups decided not to respond to calls.

On Saturday, the stock exchange suggested that it would deal leniently with such firms in the first few days after Big Bang. However, Mr Goldie-Morrison said on Wednesday that from the first day of the new system, on Monday, market-makers will be struck off the register for those stocks in which they are persistently failing to make genuine prices by refusing to answer their telephones.

CONTENTS

Monday is Big Bang day, the date for the transformation of London financial markets. The Financial Times on Monday will examine the international and domestic implications of the changing City in a 48-page survey.

IG Metall chief renews campaign for shorter week

BY PETER BRUCE IN HAMBURG

LAUNCHING a renewed campaign for a 35 hour working week in West Germany, Mr Franz Steinkuehler, the new head of the giant metalworkers' union IG Metall, refused yesterday to rule out strike action and warned of a "horrible end" if hardliners among employers were allowed to get their way openly to challenge the unions.

Earlier, in his first major declaration to IG Metall, and its 2.6m members at the union's convention in Hamburg, he sharply attacked the government of Chancellor Helmut Kohl and "neo-conservative" employers for "trying to weaken" the unions.

Employers were mounting a "struggle against the interests of workers," he said, claiming later that the country's employers were in fact divided over how to react to union demands for a shorter working week as the only way to cut unemployment.

IG Metall led a seven-week strike in 1984 and closed down the motor industry but succeeded in getting the working week cut from 40 hours to an average 38.5 hours.

As the campaign for a further cut began, Mr Steinkuehler said, some employers might be ready to compromise, but others, particularly those hit in 1984, were not and, he alleged, wanted to use new union laws passed by the government to take their revenge.

He had to assume the hawks would win, and given the union's determination to press its claims for a 35-hour week with no cuts in pay, "that could lead to a horrible end."

Mr Steinkuehler said that although he was prepared to be flexible within certain ground rules—an eight-hour day, free weekends, and a 35-hour week for all workers—he expected there would be "worlds between what the employers offer and what we are prepared to accept."

A legal and political struggle has broken out in West Germany, David Marsh writes

Greens launch attack over nuclear plant

AN EXTRAORDINARY legal and political struggle has broken out over the future of one of West Germany's key nuclear installations, the Alkem fuel element factory in Hanau near Frankfurt, controlled by the giant Siemens electrical group.

In a move which illustrates the tortuous complexities of running nuclear installations in Germany, charges are being laid by the public prosecutor against two senior Alkem executives on the grounds of non-compliance with atomic regulatory procedures. The action is aimed at closing down a plant which has long been a symbolic target of anti-nuclear campaigners.

The move, just three months before the general election in January which looks likely to be dominated by the nuclear debate, also risks opening up a potentially damaging split in the German Opposition between "gradualist" and "maximalist" opponents of nuclear energy.

Alkem produces so-called "mixed oxide" fuel rods, made of uranium and plutonium, both for German light water reactor power stations and for the almost-completed fast breeder reactor at Kalkar on the Rhine near the Dutch border.

As part of the charges against the plant revealed this week, three officials of the Social Democrat-run Hesse Economics Ministry—which has formal responsibility for atomic authorisation procedures in the state—have also been accused of complicity in the irregular operation of the plant.

One of the Alkem executives charged, Mr Alexander Warrikoff, is a parliamentary deputy in the conservative Christian Democratic party (CDU), the senior partner in the Bonn coalition government. He has denied any wrong-doing and said that Alkem is working within the law.

The legal action has been initiated by the anti-nuclear Greens ecologist party, now the minority partner in the coalition government in the state (Land) of Hesse, which has jurisdiction over a cluster of nuclear plants in Hanau.

Mr Josef (Joschka) Fischer, the Green Environment Minister in the Hesse Government, who has started the action, has been in his job since December, when the Hesse Social Democratic Party (SPD) decided to share power with the Greens in the state. Traditionally clad in sweatshirt and basketball shoes, he has an impressive ability to reel off damning statistics on the nuclear industry.

He is a highly eloquent spokesman for the campaign to "switch off" nuclear power in Germany, which has accelerated since the Chernobyl reactor accident in the Soviet Union in April.

Speaking in his office in the

Mr Joschka Fischer, Green Environment Minister for Hesse

Hesse state capital of Wiesbaden last week, Mr Fischer said another similar mishap was only a question of time. "We in the Federal Republic risk the kind of destruction of a medium-sized war."

His message was, he said, "don't provoke it; give it up." He added that far more jobs could be created in energy-saving industries and exploring new energy resources than would be lost in the nuclear industry, which anyway had no future in the West.

But the imbroglio over Alkem may have more immediate repercussions on Mr Fischer's own future, and, more generally, on the Greens' strained relations with the SPD both in Hesse and nationwide.

Mr Fischer's stance is more radical than that of most SPD politicians, but is moderate by Green standards. In the trial of strength over Alken, Mr Fischer's hand appears to have been forced by impatient Green supporters in Hesse who have been calling for years for a "drying out" of the so-called "nuclear swamp" at Hanau formed by Alkem and its associate nuclear fuel companies Nukem and Reaktor Brennelement Union (RBU).

Mr Holger Boerner, the SPD Prime Minister of Hesse, made clear on Monday what he thought of the Green initiative. In a letter to Mr Fischer, he said the legal arguments advanced by the Greens—which form the basis of the moves by the public prosecutor—were not sufficient to close the plant.

Mr Boerner also strongly denied the allegations that the state government and the SPD-run Economics Ministry could be involved in any irregularities in the running of Alkem.

The 700-page legal document on which the case rests, argues that Alkem's management has infringed parts of West Germany's Atomic Law in the running of the plant.

This relates to past changes in internal procedures in the handling of plutonium and other materials where Alkem allegedly did not comply with the strict authorisation technicalities.

The action against the plant, which employs about 500 people, underlines the primacy of the law over the will of central government in the running of German nuclear facilities. Recourse to lawsuits over the past decade by nuclear objectors has blocked nuclear plans on countless occasions.

Earlier this month, a local court succeeded in shutting down the newly-built 1300 MW nuclear power station at Muelheim-Kaerlich on the Rhine, south of Bonn, on the grounds that approval procedures for its cooling tower had not been followed.

The operator of the plant, Germany's biggest utility, Rheinisch-Westfaelisches Elektrizitaetswerk, says the closure is costing more than DM 1m (£352,000) a day.

Mr Rudi Geil, the conservative Christian Democrat Economics Minister in the local Rhineland-Palatinate states has warned that permanent closure would present RWE (and indirectly its customers) with a bill for the tidy sum of DM 14bn.

If that were to happen, the victory of the legally-minded atomic protestors over the pro-nuclear lobby would be complete.

Centralising measures start row in Poland

By Christopher Bobinski in Warsaw

CENTRALISING measures sent by the Polish Government for approval to parliament have provoked a flurry of dissent among deputies and are likely to draw the fire of workers' co-management council delegates meeting in Warsaw next week.

The measures aim to change laws passed as the beginning of the decade which underpinned de-centralising market-oriented reforms and sought to establish the principle of company independence and workers' self-management free of bureaucratic meddling.

The measures which had their first reading in parliament yesterday include giving the government power to impose a national wage freeze and to squeeze incomes by further taxing company wage funds.

Speaking at the start of the debate, Mr Jerzy Gruchalski, from the small Democratic Party, protested at the short notice given to deputies of the draft while other deputies meeting before the sitting spoke out against its centralising intent.

Planning powers delegated to local government councils under the original reforms are to be cut by giving the central planning commission power to change local plans.

The government is also seeking powers to impose mergers on enterprises in the face of resistance by their workers' management councils.

Spain likely to announce food tariff cuts today

BY TOM BURNS IN MADRID

THE Spanish Government is expected today to announce a series of tariff cuts for food and animal feed imports in an effort to bring down an inflation rate that is coming dangerously close to upsetting Spain's mid-term growth forecasts.

The move comes in the wake of a keynote speech by Mr Carlos Solchaga, Economy, Trade and Finance Minister, that firmly committed the Socialist Government to deregulation and economic liberalism.

The Government's target of an 8 per cent inflation rate for 1986 has been rocked by a 1.1 per cent rise in the consumer price index last month which brought the September to September inflation rate to 9.5 per cent.

Mr Solchaga roundly blamed food price increases for the inflation trend. Food prices were rising at an annual rate of 13.4 per cent against an increase of 7.5 per cent, which was inside the Government's target in non-food sector prices.

The economy minister, who was speaking at a Madrid business forum, rejected controls on food prices. He indicated that the Cabinet would liberalise a series of agricultural imports when it met today in an effort to depress costs.

Should the index continue its upward climb the Government is likely to bring down fuel prices. The control of inflation is a major Government priority.

Mr Solchaga vehemently defended the "unorthodox Socialism" that has characterised the economic policies of Mr Felipe Gonzalez's government since 1982.

There is a running debate within the Socialist Party in which the left wing and the trade union movement criticise policy-makers for being too favourable to business.

New pink paper joins financial journals in Italy

BY JOHN WYLES IN ROME

THE FAST-EXPANDING world of Italian business journalism greets a new, pink-papered entrant today with the first appearance of a weekly supplement published by La Reppublica.

The 32-page publication is the brainchild of Mr Eugenio Scalfari, a grey-bearded patriarch of enormous political influence who in 10 years has created out of nothing one of Western Europe's two most successful new newspapers — the other being Spain's El Pais.

Mr Scalfari has brought La Reppublica to within 30,000 copies a day of knocking the old and distinguished Milan daily Corriere Della Sera off its perch as Italy's top selling newspaper.

He reckons that the new supplement will add around L3bn (£1.54m) to annual costs but he hopes that it will further close the gap with Corriere by adding another 70,000 copies at least to La Reppublica's Friday sale of around 490,000 copies.

But there is also a commercial objective. "Corriere has had a monopoly of executive jobs advertising in its Friday to Sunday editions and we want to break that," he explains.

La Reppublica is not alone in wanting to ride the crest of a boom in financial and business advertising in Italy.

His new supplement will be appearing in the same week that Italy's only business newspaper, Il Sole-24 Ore, has gone over to seven days a week publishing by introducing a Monday edition and in the same month that the weekly l'Espresso magazine (part of the same group as La Reppublica) has launched a 24-page business insert—on pink paper.

The field becomes even more crowded next month with the first appearance on November 18 of Italia Oggi, a business newspaper which, unlike its Italian competition, will be independent of ownership by any large industrial or financial group.

All of these ventures have been encouraged by an extraordinary advertising boom over the past couple of years. According to figures compiled by Utenti Pubblicità Associati, business advertising in daily newspapers reached nearly £500m last year and is rising at an annual rate of close to 20 per cent on the back of a two-year boom on the Milan stock market.

Business newspaper sales are also soaring. Il Sole's sale, at 260,000 is 55,000 copies a day more than a year ago. Interestingly, it is also about 10,000 copies a day more than the Financial Times, but without the international sale which is around 20 per cent of the British paper's total.

This appetite for business and financial news seems to be partly a reflection of the widening participation in Italian capitalism. In the past two and a half years, the arrival of mutual funds has helped to bring an estimated 3m small investors into the stock market.

Mr Gianni Locatelli, editor of Il Sole, thinks that this is creating a new capitalist culture in Italy and with it a growing demand for business information.

But other factors have also been at work, including the so-called Visentini tax on small businesses. "There is now a huge demand for advice and guidance on business topics which was not there before," says Mr Locatelli, whose newspaper's new Monday edition is accordingly planned more as a purveyor of in-depth advice for businessmen, pensioners and investors than a vehicle for news.

The arrival of the La Reppublica supplement alongside Il Sole and the Financial Times will broaden the swathe of pink newsprint on Italian newsstands. But the choice of colour was unavoidable, affirms Mr Scalfari. "In Italy, it is now the traditional colour for business publishing."

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EUROPEAN NEWS

Poehl defends Bonn efforts to boost growth

BY DAVID MARSH IN BONN

WEST GERMAN *efforts to boost* domestic growth and suck in more imports were yesterday defended as close to the maximum possible, by Mr Karl Otto Poehl, president of the West German central bank, the Bundesbank.

Pointing to the improbability of any cuts in German interest rates in the near future, Mr Poehl also underlined that the Bundesbank this year would overshoot for the first time since 1978 its target rate for growth of the money stock, the central measure of German money supply.

Mr Poehl's comments were made after a regular meeting of the Bundesbank's policy-making council in Berlin.

They reinforce the impression already given by Mr Gerhard Stoltenberg, the Finance Minister, that German unwillingness to heed American demands to relax economic policy has stiffened further since the International Monetary Fund meeting in Washington at the beginning of the month.

Compared with the view often conveyed that the Bundesbank's monetary policy was too restrictive, Mr Poehl said that it in fact appeared "rather to be too expansionary."

The money stock this year is likely to rise by about 7.5-8 per cent, well above the target band of 3.5-5.5 per cent.

The Bundesbank, in the past few days, has already come *under pressure from monetary* conservatives in Germany to rein back money stock growth next year, to prevent potentially inflationary liquidity from building up in the economy.

The Regan Administration has been trying to influence Germany to stimulate its economy to help reduce the huge US trade and current acounts surpluses.

Asked about reports that the US was now slackening its pressure on the West Germans, Mr Poehl said he had no confirmation of this, but he would be pleased if it were true.

The Bundesbank believed that this year's upturn, with German growth likely to average about 3 per cent, would continue next year. Investment was likely to rise not only in plant and equipment but also in the previously hard-hit construction industry.

Mr Karl Otto Poehl

Mr Poehl said a West German acceptance of "massive" revaluation of the D-Mark against the dollar and other currencies, as well as "very strong" expansion of domestic demand of 4 to 5 per cent in real terms this year, amounted to a "significant effort towards achieving international economic balance."

He pointed out, however, that German import growth was partly coming from the wrong countries, as Japanese exporters, rather than US companies, were doing particularly well on the buoyant German market.

For next year, Mr Poehl said he believed domestic-led growth would continue, with internal *demand rising about 4 per cent* and inflation running at about 2 per cent against a likely fall in consumer prices this year.

The regular autumn report this week of West Germany's top five economic forecasting institutes predicted that, in spite of high import growth, Germany's current account surplus next year would decline only marginally to DM 60bn (£21.4bn) from DM 70bn in 1986.

Dr Helmut Schlesinger, the Bundesbank vice-president, said he was not as optimistic as the institutes over the opportunity for German export growth next year.

He belived the current-account surplus would fall more quickly than in the institutes' projections, but he declined to say by how much.

Panel warns on phase-out of N-power in Sweden

By Sara Webb, Stockholm Correspondent

A PANEL of Swedish nuclear and environmental experts in a report published yesterday has warned that the immediate phasing out of nuclear power in Sweden would entail huge costs and economic problems for the country.

The panel, which was set up to examine the issue of nuclear power and safety standards in Sweden in the wake of the Chernobyl disaster, said that there were no grounds for concern over safety standards at the 12 nuclear reactors in Sweden.

For the Swedes, the nuclear issue is particularly sensitive. Sweden was the first country to detect signs of radioactivity after the Chernobyl accident

The high radioactive fall-out on Swedish soil meant that many many agricultural products have had to be destroyed over the past months.

The disaster also served to fuel the anti-nuclear lobby. Following a referendum held in 1980 the Government is already *committed to phasing out* nuclear power—which accounts for half of the electricity produced in Sweden—by the year 2010.

However, there has been increased pressure to start the phasing-out process earlier, despite warnings from representatives in industry that such a move would precipitate steep increases in electricity prices

Mr Carl-Erik Nyqvist, general director of the state power board, said that electricity price *could be expected to rise by 50-100 per cent* with the phasing out of nuclear power and that the closure of the country's nuclear reactors would cost about SKr 100bn (£10bn).

The Swedes are constantly berated by their Danish neighbours over the nuclear power station at Barsebaeck, Southern Sweden, which is in the most densely-populated part of Scandinavia, near the cities of Malmö, Gothenburg, and Copenhagen.

However, the panel's report concludes that the two reactors at Barsebaeck—which produce about 40 per cent of the electricity in Southern Sweden — could not be closed for at least four or five years if serious disruptions in electricity consuption in Southern Sweden are to be avoided.

GERMAN CHANCELLOR SEES NEW CHALLENGES TO EUROPEAN SECURITY

Kohl cautious on arms talks

BY LIONEL BARBER IN WASHINGTON

CHANCELLOR Helmut Kohl of West Germany sounding a cautious note on the process of arms talks *between the US and Soviet Union,* sait that they losed new challenges to the security of European allies.

Speaking in Chicago during a three-day tour of the US, the Chancellor warned that proposals for deep cuts even elimination of nuclear missilies had to be matched by reductions in conventional weapons.

Chancellor Kohl is the first Western alliance leader to be fully briefed by President Reagan and his advisers about the recent superpower meeting at Reykjavik where sharp cuts in ballistic missiles were tentatively agreed by the US and Soviet leaders.

The chancellor *said: "New strategic* systems and progress in disarmament must not lead to less security, but to more security for us Europeans, too."

He added that the vision of a non-nuclear world – reflected by President Reagan's Strategic Defence Initiative (SDI), the space-based missile defence system and by Mr Gorbachev's proposed cuts in offensive weapons – would fundamentally alter Nato strategy to the detriment of the Europeans, *unless conventional* weapons were also reduced.

He suggested that the European allies, while consulting with the US, *had to safeguard their own security* interests and keep them in harmony with what was being discussed between the superpowers.

Chancellor Kohl said that the time was ripe for "fundamental decisions" by the East and West and described the Reykjavik meeting as "an important milestone in East-West dialogue."

He stressed that the arms control proposals from both sides still remained on the table, and urged *them to be put into practice.*

The chancellor appeared to be voicing fears which have been raised privately and publicly by the allies about the nature of the superpower discussions at Reykjavik.

These contained tentative agreements to eliminate nuclear weapons in Europe and to cut strategic nuclear offensive weapons by 50 per cent in five years.

He also warned that arm control was not an end in itself, nor was it a panacea for East-West tensions.

It was still unclear if the Soviet Union was seeking to buy time or whether it was embarking on a new policy of greater restraint in international relations and a fair dialogue with the West, he said.

FitzGerald coalition wins second crisis vote

BY HUGH CARNEGY IN DUBLIN

IRELAND'S Fine Gael-Labour coalition Government last night won a closely fought parliamentary vote of confidence, lifting — for the time being at least — the threat of an early general election.

The opposition Fianna Fail Party's hopes of unseating the coalition, whose five-year term does not expire for another 12 months, *collapsed when two dis*sident government backbenchers who had threatened to vote against the administration fell into line.

Their votes provided the margin of victory for Dr Garret FitzGerald, the Prime Minister, who won by 83 votes to 81.

The confidence motion came at the end of a period of intense pressure on the coalition. A series of economic setbacks and slumping performances in the opinion polls combined with demands by a number of Fine Gael and Labour backbenchers to put a cutting edge on Fianna Fail's offensive.

On Wednesday, the coalition defeated by just one vote a Fianna Fail attempt to call a *by-election which could have* tipped the parliamentary balance.

Now the Government can concentrate on formulating next January's budget,

● Allied Irish Banks, one of the two big Irish clearing banks, yesterday pushed up overdraft rates to prime customers by 2 percentage points to 14 per cent.

Lubbers seeks to calm housing scandal storm

BY LAURA RAUN IN AMSTERDAM

MR RUDD LUBBERS, the Dutch Prime Minister, sought yesterday to calm the political tempest *swirling* around the resignation of Mr Gerrit Brokx, the Under-Secretary for Housing, who has stepped down amid a housing scandal.

In an effort to limit the damage to his Christian Democrat-Liberal Government, the *Prime Minister trod a fine line* between defending Mr Brokx and accepting the will of the Christian Democrats.

Mr Brokx resigned late on Wednesday night under heightened pressure from his own Christian Democrats, who contended that he had been tainted by the housing scandal.

The scandal involves allegedly fraudulent subsidies for housing construction amounting to Fls 200m over three decades, much of which has gone to the ABP Civil Servants Pension Fund.

Last week, the parliament decided to launch an official inquiry with subpoena powers into the subsidy scandal. It is only the third time this century *that MPs have deemed a con*troversy grave enough to merit such an inquiry.

No replacement has yet been appointed for Mr Brokx, who served as Under-Secretary for Housing for nearly eight years. He has contended that there was no evidence of fraud in the huge subsidy programme.

Boost for Spain-Portugal links

BY DIANA SMITH IN LISBON

GINGERLY EFFORTS by Portugal and Spain to adjust to their new partnership in the EEC after centuries of mutual mis*understanding receive a boost* this weekend with the summit meeting in northern Portugal of premiers Felipe Gonzalez and Anibal Cavaco Silva.

This weekend's summit is the third attempt since 1982 by Mr Gonzalez and a series of Portuguese heads of state to solve practical problems in the areas of trade, fishing, communications and immigration.

It is also an attempt to expand the relationship into a *broader-based more solid* domain, where the two neighbours, instead of standing back-to-back as they have for generations, can start to co-operate more energetically on the EEC and Nato.

But mundane problems that keep Portuguese and Spanish businessmen wary of each other constantly interfere with loftier aims.

Spain's aggressive export drive has been felt particularly strongly in Portugal.

Portuguese manufacturers are now picking up steam and exports to Spain leapt from Es 18.9bn (£95m) in the first half of 1985 to Es 30.2bn in the same period this year.

But Spanish exports to Portugal grew even more

Vatican in cash appeal

The Vatican yesterday said the Holy See's budget deficit ballooned by $11m (£7.6m) last year and called on Roman Catholics around the world to *come to its aid with greater* generosity, Reuter reports.

The Holy See's income for 1985 was $44.6m and its expenses were $83.7m, resulting in a deficit of about $39.1m. The deficit was 1984 was about $28m.

The Vatican said the Holy See's projected budget deficit for this year was $56m.

East bloc 'ready to break troop cut impasse'

By Patrick Blum In Vienna

A SENIOR Soviet spokesman at the Vienna talks on reducing conventional forces in Central Europe—the Mutual and Balanced Force Reductions (MBFR) talks — yesterday emphasised the Warsaw Pact's readiness to sign an early minimum agreement covering only symbolic troop cuts, so as to open the way for broader discussions on substantial force reductions across the whole of Europe.

Speaking after yesterday's plenary session, Mr Stanislav Babaevsky described the situation at the 13-year-old MBFR talks as "unsatisfactory," adding: "The position of the parties (Nato and the Warsaw Pact) here is too far apart."

He criticised Western proposals on how to verify compliance with an agreement and Nato's stance at the talks as one designed to give "the false impression of being constructive."

In contrast, the successful outcome at the Stockholm conference showed what could be achieved if the political will was there, he said.

To break out of the deadlock, he suggested a "small (scale) agreement" along the lines of proposals already made by the Warsaw Pact and by Nato, and which include the preliminary withdrawal of 6,500 US and 11,500 Soviet troops from the Central European theatre, to be followed by a two- or three-year freeze on the level of forces.

This, he suggested, could be agreed quickly and then fresh discussions could start in a broader forum. "But first we must have some agreement here. Then we can move on to a European scale."

Mr Babaovsky said that the Warsaw Pact was waiting for the results of Nato's review of developments for conventional arms control agreed at a meeting last May.

The review is due to be completed by mid-December, after the end of the current round of talks in Vienna, making progress here unlikely before the next round of talks in the New Year.

AMERICAN NEWS

Opposition hopes grow as oil price fall hits Trinidad

BY CANUTE JAMES, RECENTLY IN PORT OF SPAIN

TRADE UNIONS protests in Trinidad and Tobago over the social and economic situation are likely to increase the discomfort of the People's National Movement Government, which must call an election within the next four months.

No date for the poll has yet been set by Mr George Chambers, the Prime Minister, who faces an opposition now apparently providing the most credible threat ever to the ruling party's unbroken 30-year political dominance of the country.

The National Alliance for Reconstruction (NAR) led by Mr A. N. R. Robinson, which grew out of a coalition of four parties, has been helped mainly by a sharp decline in the oil-based Trinidad and Tobago economy.

Petroleum revenue accounts for about 80 per cent of foreign earnings and the effect of the fall in the ore price has been severe. Cuts in government expenditure, and a 33.3 per cent devaluation of the currency have reduced consumption, prompted business failures and increased unemployment among the 1.1m population.

"The crisis is worsening" says Mr Robinson, once Finance Minister under the late Dr Eric Williams, Trinidad's political patriarch. "The Government appears unable to deal with the situation, and cannot meet its commitments to the business community and to state employees."

PNM spokesmen claim however that the party still has a solid base on which to face the electorate.

One senior official, pointing out that the oil price fall is not the Government's fault said that the NAR represented a coalition "torn between what it will do for business, from which it has support, and for labour, from which it also has some support."

Even Trinidadians reluctant to support the Government will want to settle for the evil that they have known for three decades, he said. Rifts in the ruling coalition in neighbouring Grenada were an indicator of what could overtake the NAR if it won office.

Whoever occupies the Prime Minister's office after the election will be hard put to find solutions to Trinidad and Tobago's economic problems. "Next year will be a difficult one for this country," says Mr Patrick Manning, Minister of Natural Resources and Energy.

Income from the oil industry for the first seven months of this year was $277.7m against an expected $694.4m, and by the end of June foreign exchange reserves had fallen by $419m to $576m since January.

Government spending cuts had affected employment in sectors like construction, and reduced consumption has hit the business community, resulting in the failure of five finance houses and heavy losses to two of the country's larger conglomerates, one of which has been put into receivership. The more optimistic estimates from bankers and businessmen say that GDP will decline this year by between 5 and 6 per cent, about the same as last year, and that the best that can be expected is zero growth in 1987 and a moderate increase in 1988.

A 33.3 per cent devaluation of the Trinidad and Tobago dollar last December, failed to produce expected gains because of the oil price fall. The oil boom years have meant that other sectors have been neglected, leaving few easy options for economic revival. Petrochemical plants, based on cheap domestic gas, have opened and the Government speaks optimistically of expanding the small tourist industry and encouraging foreign investors.

"Without doubt, the biggest problem we have at the moment is how to adjust to the fall in the price of oil," says Dr Euric Bobb, governor of the Central Bank. "We have been doing it so far by cutting our expenditure but you can cut only so far."

Business leaders suggest that the Government will have to regard another devaluation as one of its options.

But Dr Terence Farrell, director of research at the central bank, says: "Our reserves are at a level that can sustain the current exchange rate, and it is our intention to hold that rate at its present level."

Mr Robinson, who describes his polices as reformist, says he has taken no decision about changing the exchange rate if the NAR is elected to form the government. "We will have to examine the situation," he says.

A. N. R. Robinson . . . crisis worsens.

For either party, another devaluation will be politically unpopular, a point which the unions intend to make. If Mr Chambers decides it is necessary, he is unlikely to say so before the election.

Recognition at last for America's crime kings

By David Blackwell in New York

THE CITIZENS of the US have an obsession with lists. The top one is undoubtedly the annual Forbes publication of the 400 richest Americans.

New Fortune, a rival business publication whose ranking of the top 500 US corporations is closely watched, has come up with a new list — the 50 biggest Mafia bosses.

Naturally it is headed by a New York City man — Mr Anthony Salerno, 75, nicknamed Fat Tony, who is currently on trial. According to Fortune he heads an underworld conglomerate with enterprises on both sides of what, for him, at least, is an indistinct line separating illegal from legitimate business. Head of the Genovese family, his sources of income include construction, unions, gambling and loan-sharking.

Second is Mr Anthony Accardo, 80, nicknamed Joe Batters, from Palm Springs, who is head of the Chicago family, with income from gambling, unions and loan sharking. He is followed by Mr Anthony Corallo of Long Island, nicknamed Tony Ducks, 73, head of the Lucchese family, with income from refuse collection and extortion.

Fortune does not list the wealth of these powerful men, but it reckons that in spite of its clout, organised crime—which it estimates will turn over $50bn this year, or about 1.1 per cent of the US GNP—is in crisis.

More than half the top 50 bosses are aged 65 or over and the next generation of managers seems to lack spirit, dedication and discipline. "Today you got guys in here who never broke an egg," a New Jersey Mafia leader complained in a conversation bugged by the FBI, which says Mafia membership is shrinking.

So the bosses have looked back to Sicily for the tough young trainees they need. There's a nickname for them as well—greenies.

Surge in orders for durable goods in the US

BY NANCY DUNNE IN WASHINGTON

THE US COMMERCE Department yesterday reported a surge in September in orders for heavy manufactured products, led by demand for transport equipment. The report comes just one day after the department estimated economic growth at a modest 2.4 per cent a year in the third quarter.

Orders for durable goods—the most expensive manufactured products with an average life of three years or longer—was up an estimated $5.1bn, or 4.9 per cent, to $109bn. It was the largest rise since November 1984.

The improvement was even more impressive after the volatile defence capital goods sector was excluded. Non-defence orders jumped by 5.4 per cent, the largest increase since June 1983.

Adding to the good news for the manufacturing sector was a slight upward revision in the new orders category for August, which had originally been reported as down 2.8 per cent, but was revised to 2.2 per cent.

The increase in durable goods orders centred on transport equipment and machinery, up 8.8 per cent to $29bn. A $1bn surge in orders for non-defence aircraft and parts accounted for much of the gain, according to the census bureau.

The US Labour Department yesterday announced a moderate 0.3 per cent increase in seasonally adjusted consumer prices, pushed up by rising costs in the energy sector. For the year to September the consumer price index rose only 1.8 per cent.

Americans earned 0.3 per cent more in August than they did in September, according to the Labour Department. However, they spent 1.6 per cent more.

Income figures for August and September were affected by two factors: a large increase in subsidy payments to farmers in August and a jump in retroactive social security payments in July. Excluding these factors, income would have risen 0.3 per cent in August and 0.2 per cent in September.

Disposable personal income, figured after taxes and deductions, rose 0.2 per cent last month, after gaining 0.1 per cent in August. Personal savings plunged to $56.6bn in September compared with $95bn in August.

Reagan on campaign trail for Congress elections

PRESIDENT REAGAN yesterday opened a final campaign push to rally Americans behind his Republican Party in congressional elections, defending his commitment to the Star Wars anti-missile programme and calling Soviet promises unreliable, Reuter reports from Milwaukee.

The 75-year-old President launched a 13-state drive to keep the Senate in Republican hands in the November 4 congressional elections.

He returned to his by now familiar economic and foreign policy themes, charging that a vote for the Democrats would return the US to the dark days of inflation and military weakness.

Seeking to cast the Iceland summit with Soviet leader Mikhail Gorbachev in a positive light, Reagan said it had represented a breakthrough in arms control.

EEC may act against US levy

BY TIM DICKSON IN BRUSSELS

THE EUROPEAN Commission was yesterday considering whether to take action under the General Agreement on Tariffs and Trade (Gatt) against a new US imports tax.

The new levy, signed on Wednesday by President Ronald Reagan as part of the current finance bill, has been presented as a new fee to cover the costs of customs operations.

Under Articles 2 and 7 of the Gatt, such a charge is legitimate provided that it is genuinely designed to pay administrative expenses. Officials in Brussels had not had time by last night to examine the details of the US measure, but they did not hide their concern that the move might be protectionist.

The EEC is naturally anxious about the levy because of the huge volume of Community exports to the US – $68.2bn last year.

The new charge is a 0.22 per cent tax on imports, which will drop to 0.17 per cent after October 1, 1987, remaining at that level until it ends on September 30, 1989.

The money raised by the measure is intended to fund the operations of some US Government agencies as well as to help produce the federal budget.

Arms deal 'must include conventional weapons'

MR CASPAR WEINBERGER, US Defence Secretary, said yesterday that agreements or action to balance conventional forces and short-range missiles in Europe would have to accompany any deep US-Soviet nuclear arms cuts, Reuter reports from Washington.

Mr Weinberger said Nato defence ministers strongly endorsed the deep nuclear missile cuts proposed at the Iceland mini-summit because they knew they would not be left vulnerable to superior Soviet conventional forces and short-range missiles.

"You've got to maintain a deterrent balance across the whole spectrum," he said.

Semi-independence for islands

THE MARSHALL Islands, which has a top-secret US missile base, was yesterday given semi-independence after 39 years of American rule, Reuter reports from Majuro.

A "compact of free association" will allow the US to keep its missile range at Kwajalein for at least 30 years with an option for a further extension, said Mr Henchi Balos, Minister without Portfolio.

Washington would give the western Pacific nation $30m a year in aid for the next 15 years, he said. The US will retain control over the Marshalls' military and defence activities.

The islands had been a UN Trust Territory under US Administration since the end of the Second World War.

The Marshalls are the first of three US-ruled island groups in the Micronesian archipelago to approve such a "compact," which has been denounced by the Soviet Union as an attempt to perpetuate America's military hold over the area.

Earlier this year a group of islanders staged sit-in protests at Kwajalein, part of a planned network of bases in the US Strategic Defence Initiative

The demonstrators object to the use of Kwajalein as an American nuclear site

But Mr Balos said the declaration of self-government sparked no demonstrations

Landslide win for Socreds in British Columbia

BY BERNARD SIMON IN TORONTO

BRITISH COLUMBIA'S ruling Social Credit Party has achieved a remarkable comeback, winning a large majority in provincial elections after trailing in opinion polls for most of the past three years.

The Socreds, which have a reputation as Canada's most right-wing political party, won 49 of 69 seats in the provincial legislature. The mildly socialist New Democratic Party, which appeared to have the upper hand until just a few months ago, won the rest.

The Socreds' resurgence is largely a result of the unexpected retirement last August of Mr William Bennett, the hard-line premier whose fiscal austerity programme in 1983-84 resulted in widespread public service cuts and provoked unprecedented labour unrest. Unemployment reached 15 per cent in 1984.

Mr Bennett was succeeded by Mr William Vander Zalm, a Dutch-born millionaire horticulturalist whose good looks, outgoing personality and attractive wife have lent themselves perfectly to television and grass-roots campaigning. In addition, the Socreds have benefited from the huge success of the Expo '86 world fair which closed in Vancouver last week after attracting 22.1m visitors, 50 per cent more than expected.

Mr Vander Zalm said during the campaign that economic constraints prevented him making any lavish promises. But he is expected to follow less rigid policies than the Bennett Government.

Japan calls for Soviet N-arms cut in Asia

By Ian Rodger in Tokyo

MR TADASHI KURANARI, Japan's Foreign Minister, has asked the Soviet Union to withdraw all its intermediate range nuclear forces deployed in the Asian region.

He did so during a meeting with Mr Mikhail Kapitsa, the Soviet vice Foreign Minister who visited Tokyo this week. It underlines the ambivalence of Japan's reaction to the tentative agreements on INF reductions reached at the Reykjavik summit between Mr Mikhail Gorbachev, the Soviet leader and Mr Ronald Reagan, US President.

Those agreements called for the total abolition of INF weapons in Europe but only a reduction to 100 warheads in Asia.

When asked about this, Japanese officials have been careful to stress the closeness of their relations with the US and their satisfaction with the progress made at Reykjavik.

The foreign office spokesman repeated yesterday that the US was aware of Japan's views on INF in advance of the summit and Japan believed the US took account of those views. Moreover, Japan appreciated US efforts at reaching a satisfactory result at Reykjavik.

Mr Kuranari, in his comments to Mr Kapitsa, was careful to emphasise Japan's support for the US. He blamed the Soviet Union for the collapse of the summit because of its insistence on linking progress on INF to the US Strategic Defence Initiative (SDI).

He criticised the Soviet Union's all-or-nothing approach, arguing that arms reductions could only be acheived gradually. Japan wanted to see abolition of INF weapons in the Asian region and ultimately in the whole world.

There have been other indications that the Japanese Government, in spite of its official statements, has been dismayed about the difference with respect to Europe and Asia, in the tentative INF agreements reached at Reykjavik.

Relations with the US are, however, sufficiently delicate these days that the government is eager to avoid any new source of friction.

Tokyo to seek commercial use of SDI research

By Ian Rodger in Tokyo

JAPAN is to open its negotiations with the US over participation in the Strategic Defence Initiative next week seeking the maximum freedom to use SDI technologies for commercial purposes.

The Japanese Government decided on September 9 that it would provide a framework within which companies could participate in SDI research projects.

Japanese officials recognise, however, that they enter the negotiations at a distinct disadvantage compared with west European countries that have already reached SDI agreements.

The problem is that the Japanese Government is obliged by law to make its agreement public. "This will restrict the US latitude to a certain extent," a foreign ministry official said yesterday.

Officials said the main topics in the negotiation would be the flow of information pertaining to SDI, the handling of the fruits of research and the protection of classified information.

Meetings have been set for next Tuesday and Wednesday in Washington.

Steven Butler in Manila describes the concern in the army over the communists' political success

Enrile wins battle to contain Philippine drift to left

MR JUAN PONCE ENRILE, the Philippine Defence Minister, this week won an important skirmish in his fight to obtain more influence over the "revolutionary government" of the Philippines, which he helped install through a military coup in February.

After months of stressing the importance of peace and reconciliation, President Corazon Aquino on Wednesday sounded an alarm bell about the Communists threat and is now pledged to take action.

None one may know for sure if Mr Enrile really intended to break away from Mrs Aquino with the help of the military this week. The way in which he rallied his supporters in the armed forces raises the suspicion that it was just one more ploy of a master political trickster.

Having tasted victory, Mr Enrile is likely to continue pressing his advantage in order to cleanse the Cabinet of what he sees as leftist elements and to convince Mrs Aquino to seek a new electoral mandate.

Mr Enrile's arguments about why Mrs Aquino's Presidency lost legitimacy after she scrapped the old constitution in April are striking a responsive chord among Filipinos who agree that democracy is based on the rule of law. They are becoming convenient ones for those who believe that Mrs Aquino's good intentions have not produced effective leadership.

The sense of crisis in the armed forces has grown stronger as each month passed without effective measures by Mrs Aquino to address the problems she inherited from Mr Ferdinand Marcos, the deposed president. The economy is still ravaged by deep recession, political uncertainty continues and Communist political power has grown strongly.

Colonels in the armed forces had laid the groundwork for the coup against Mr Marcos months before his fall, in an effort to oust what they saw as a corrupt government that had destroyed discipline in the armed forces and was giving the nation away to Communist insurgents.

Many Filipinos, including apparently Mrs Aquino, had expected that with Mr Marcos forced into exile, armed resistance to the government would lose its appeal to all but a hard core of radicals who would pose

Mr Enrile . . . suspect motives

no serious threat.

Instead, eight months after the Aquino Government came to power, a range of legal leftist political groups have grown up which appear likely to gain a major share of power if elections are held next May

The Partido Ng Bayan, or People's Party, founded by former Communist leaders whom Mrs Aquino released from jail, is headed by Mr Rolando Olalia, who also heads the leftist labour movement, the Kilusan Mayo Uno (KMU). Its 650000 members will be an important factor in electoral campaigning.

At the same time the Communist New People's Army, with some 22,500 armed soldiers, cannot be beaten by Government troops numbering about 70,000. The NPA is reckoned to control some 20 per cent of rural districts, and to be active in 60 per cent. It collects taxes, has a legal system of sorts, and provides some basic government services.

The army's ability to counter the NPA was further eroded when Mrs Aquino used her revolutionary power to dismiss all local elected officials and to replace them with a contingent of "officers in charge." (OICs)

Military officers complain that a large portion of the OICs are leftist sympathisers who do not cooperate with military intelligence efforts to track and stem the insurgents.

The military has not objected to negotiations with the NPA, but has called on the Government to define realistic objectives to be achieved in the talks. Mrs Aquino's promise on Wednesday to set a cut-off date for negotiations will be received well in the army, provided she produces concrete measures quickly.

Officers fear that if the armed forces are stymied by a lack of Government leadership, the Communists will continue to consolidate their military strength and to expand their political organisation. By the time the constitution is put to the vote in January, and elections held in May, they think the Communists could be in a position to capture significant support and that the possibility of either launching a military offensive or negotiating an acceptable settlement with rebel forces may vanish. Communist control of the Government would then be merely a matter of time, they believe.

Although the army is hardly in a position to crush the insurgency, officers argue that now is the time to move. They say that despite a cut in the military budget, a sharp reduction in corruption has left them better prepared to fight than they have been in years.

They would like to launch a 60 to 90-day offensive against the insurgents, enough to make a dent in their power and to push them farther back into the hills so that non-Communist groups will have a chance to compete for power.

The military knows that it cannot fight the insurgency alone. It needs the support of the Government with programmes to restore rural government services, and to resettle and reintegrate guerrilla forces into society. At the very minimum it needs the moral support of the President.

Mrs Aquino has bought time this week, but her ability to follow through on the new hardline stance will be tested severely in the coming days. If she fails now to provide political leadership, to demonstrate that she is capable of governing, she is likely to find it even more difficult to remain in office.

Mrs Aquino seems slowly to be realising that democracy in the Philippines is in danger, and that it is not Mr Enrile who is the principal threat. The Philippines is divided and at war with itself. Even the force of Mrs Aquino's good intentions and integrity may not be able alone to make it whole again.

Australia's inflation rises to 8.9%

By Chris Sherwell in Sydney

AUSTRALIA'S inflation rate, already high in comparison with its major trading partners, has edged upwards again in the most recent quarter, and promises to get worse.

Figures released by the Australian Bureau of Statistics yesterday showed a rise of 2.6 per cent in the consumer price index in the three months to September, compared with the previous three months. This took the year-on-year inflation rate to 8.9 per cent.

The news appeared to have little impact on the foreign exchange or share markets, but the trend, if it continues, can be expected to undermine recent competitive gains brought by the depreciation of the Australian dollar.

Mr John Howard, leader of the opposition Liberal Party, attacked the "rotten" figures. He said they were the worst since Prime Minister Bob Hawke came to power and "deplorably out of line with Australia's OECD partners.

Mr Hawke and Mr Paul Keating, the Treasurer, while acknowledging that the figures would get worse before they got better, insisted they were "on track" with the recent budget forecast of 8 per cent for the year.

As an index of economic performance, the inflation rate is seen to be as important as the current account of the balance of payments. Figures for this last week showed the September quarter to have been the worst ever.

The government insists that there will be an improvement in both indicators by 1987 as the full impact of its measures is felt.

Pretoria denounces report on economy

BY JIM JONES IN JOHANNESBURG

THE SOUTH African Government has denounced as "dangerously naive" a three-month-old pessimistic report on the country's economy prepared by Foreign Commercial Service, a branch of the US Commerce Department, in Johannesburg.

The report is produced annually and generally forms the basis of Commerce Department advice to American companies considering doing business with South Africa. It was inadvertently released to the press.

The report says South Africa is "closer to becoming just another African state—a chronic debtor, import-starved, ridden with ethnic diversities, a repressive regime unable to manage its own domestic constituency in any positive way, whose only leverage is its ability to manipulate foreign governments and attract international attention for better or worse."

The release of the report came at a sensitive moment for the government. Economic confidence was sent reeling this week as General Motors, IBM, Honeywell and Warner Communications announced plans to sell their South African subsidiaries.

Mr Kent Durr, South Africa's Deputy Finance Minister, said "The US Government created this situation by blackmailing its own country's companies, by applying sanctions and by helping exclude South Africa from international forums."

Though the report was critical of the drift of the South African economy, especially the economic and bureaucratic dominance of the state and large *industrial / mining* conglomerates such as Anglo American, Barlow Rand and Gencor, it warned of the negative effects of American action which might force the economy into a state of siege.

● Police fired teargas at 100 University of the Witwatersrand students who ignored an order to halt a protest in Johannesburg against the death of Mozambican President, Samora Machel.

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Bokassa returns to Central African Republic

BY DAVID HOUSEGO IN PARIS

THE ex-emperor Bokassa, the flamboyant former president of the Central African Republic, yesterday managed to fool the French authorities by slipping away from his guarded home in France and returning to his country.

Accompanied by his wife and five children, he boarded a flight at Rome for Bangui, but was arrested on arrival there by the presidential guard.

The ex-president's unexpected departure seems to have been motivated by a mixture of despair at his exile and his growing poverty in France, and the vain hope that he would be greeted by popular acclaim on his return. After he was spotted at Rome Airport, the Bangui authorities immediately took him into custody while expelling his family.

The French Government said yesterday they had no knowledge of his departure — even though his chateau at Hardricourt in the Yvelines close to Paris is under police surveillance.

His flight back to Bangui was nonetheless embarrassing to the French because of their strong support for the current regime of General Andre Kolingba,

Bokassa has a large page in recent French history because of the belief that his gifts of diamonds to former President Valery Giscard d'Estaing contributed to the French President's election defeat in 1981.

In his own country he was condemned to death after being ousted from power in 1979.

In his latest odyssey, he escaped by car over the French border to Belgium where he boarded a plan for Rome and from there for Bangui. The Prime Minister's office said yesterday that an inquiry would be instituted into how he got away. His flight comes at a moment when the French borders are meant to be well-guarded because of recent terrorist threats.

Campaign against locusts a success, says FAO

BY JOHN WYLES IN ROME

A $35m internationally-financed campaign to save African food production from plagues of locusts and grasshoppers has been a substantial success, officials of the UN's Food and Agriculture Organisation said yesterday.

Mr Lukas Brader, director of the FAOO's emergency centre for locust operations, said aerial spraying of some 2m hectares had limited crop damage in the Sahel region to little more than 60,000-70,000 hectares.

In a separate statement, Mr Edouard Saouma, the FAO's director general, estimated that over 90 per cent of the crops which had been threatened by the Senegalese grasshopper had been saved in West Africa.

The locust threat to East Africa had been similarly averted but southern Africa remained a "danger zone" as a brown locust plague enters its second year.

The spraying campaign was financed by at least 15 donors, led by the EEC and the US, and has involved 36 aircraft and over 500 tonnes of pesticides. Mr Brader said that special measures would need to be taken in southern Africa for the next two years.

A close watch was also being kept on the desert locust whose main breeding grounds are on the Arabian Peninsula.

The insect plague was a direct result of the arrival of heavy rains ending the drought which caused massive starvation in parts of Africa last year. The moisture encouraged the hatching of locusts and grasshoppers in massive numbers, threatening the entire continent with infestation.

David Dodwell looks at the future of the 'most loyal'

A foreboding Gurkha farewell

PRINCE PHILIP yesterday bade farewell to one of Hong Kong's four Gurkha regiments due to be disbanded in January, as a question mark hung over the fate of a body of men that has served in the British Army since 1815.

John Masters once called these Nepali soldires "the bravest of the brave: the most loyal of the loyal." Over the past 170 years, more than 40,000 have died serving in the British Army. Many fought in the Falklands war.

Two unprecedented scandals linked with the Gurkhas last summer have, however, tarnished their reputation and raised questions about morale at a time when it is unclear what place they will have in the British Army in 11 years when China regains sovereignty over Hong Kong.

The disbandment yesterday of the 2nd battallion, 7th Duke of Edinburgh's Own Gurkha Rifles—known in the forces as "the Second Seventh" — is linked with scandal. The battalion is below full strength, was raised at a time when illegal immigration over the border from China was putting great pressure on British troops stationed in Hong Kong, and its disbandment will trim Gurkha forces to its strength before 1980.

It is nevertheless a warning signal for the future, since the British Army is likely to contract rather than expand in the years up to 2000. The Gurkha battalions, with their home garrision in Hong Kong, are thought likely by many observers to be the first to feel the scalpel when cuts are called for.

This conviction exists not least because in 1997 British troops based in Hong Kong will be replaced by Chinese People's Liberation Army forces.

Three of the remaining five Gurkha battalions are based in Hong Kong (the other two are serving in the UK and Brunei). They will at least have to be redeployed.

In spite of official denials, it has been suggested that uncertainty over the future has influenced morale in Gurkha ranks, and might have been a factor in the two remarkable scandals of recent months.

In the most serious, more than 100 Gurkhas from the "First Seventh" were court-martialed and dismissed for what amounts to mutiny. A group of Gurkhas attacked and seriously injured their company commander while on a defence exercise in Hawaii in May.

No clear explanation has emerged of why the incident occurred, though an open letter from troops of the First Seventh accused the commanding officer of insulting behaviour. The commanding officer has terminated his secondment to the Gurkha regiment three years early.

In the second scandal, five Gurkhas were found guilty in the High Court in England of trying to bring into the UK almost HK$2m (£150,000) worth of cannabis and heroin.

In the wake of what is referred to as the "Hawaii incident" Mr John Stanley, Minister of State for the Armed Forces, said in Hong Kong: "The key issue was the total breakdown of the bond of trust without which a soldier is militarily ineffective."

The concensus from the commander of British Forces in Hong Kong right up to the Ministry of Defence was that dismissal was the only course open.

Mr Stanley nevertheless concluded: "It is regarded as an isolated incident, and it has certainly not undermined our confidence in the Gurkhas and will not affect future planning of the role of the Gurkhas after 1997."

In Nepal, where most youngsters would lose a leg to get selected into the Gurkhas, and where returned-Gurkhas provide a large proportion of the country's skilled manpower, the response has been muted.

Officials meanwhile say the incident will not damage bilateral relations. The fact is that the Nepal economy stands to lose a great deal if the Gurkha link with the British army is severed.

WORLD TRADE NEWS

Vancouver-based Chinese language cable TV nets a tidy profit

BY DAVID DODWELL IN HONG KONG

BRIAN SUNG, Vancouver-based accountant and one-time film director, has no illusions about the service his Chinese language cable TV station is providing: "We are literally giving our viewers Hong Kong's TVB four days after Hong Kong."

Cathay TV is based in tiny studios in Vancouver's genteel western suburbs. This year he expects to buy 1,000 hours of Cantonese-language television programmes from TVB, Hong Kong's leading television group.

With over 10,000 households now subscribing to Cathay TV, Mr Sung claims to be making a modest profit, meeting a need among Vancouver's 100,000 ethnic Chinese, and making a substantial contribution to the profits of TVB in Hong Kong.

The export of TV programmes is expected to earn TVB more than HK$60m (£5.5m) this year—twice the earnings of 1985. This fillip has led forecasters to predict 1986 profits for the group, which is controlled by Sir Run-Run Shaw, of more than HK$300m—perhaps 35 per cent up on 1985. Programme licensing accounted for 14 per cent of TVB's profit last year, and will account for an even greater share this year.

Major television groups in many parts of the world generate substantial earnings from overseas sales of their programmes — Britain's BBC is a prominent example, and even comparatively small groups like TVB can establish a lucrative niche for themselves.

TVB is well-placed to serve overseas Chinese communities spread around the Pacific region and beyond. About 30m ethnic Chinese are estimated to live outside China, with large communities throughout South-east Asia, in the US, Canada, Australia and Britain.

Many of these communities are Cantonese speaking, having their roots either in Hong Kong, or in China's Guangdong province adjoining the British territory. As they try to maintain cultural links with their original homes, so they provide commercial opportunities.

The best markets are the South-east Asian countries—Singapore, Malaysia and Thailand, each of which have substantial Chinese communities. Countries like Singapore and Malaysia also buy heavily from Taiwan, where programmes are produced in Mandarin Chinese.

Vancouver has established itself as an important market. Cathay TV for the last year has transmitted 65 hours a week of programmes, all but a couple of them in the Cantonese dialect. Apart from new programmes, which are put together locally, Brian Sung transmits everything TVB has to offer: "The problems will come when we want to expand further, because we are already taking everything," he said.

Ironically, the larger Chinese communities in San Francisco and New York are less well served. In San Francisco, for example, Chinese language programmes are transmitted on five local cable TV stations, but there is no single station like Cathay devoted to a Chinese-speaking audience.

Most popular of all the programmes are extravaganzas including beauty contests, variety shows and singing contests. Brain Sung notes: "It is very 1950's-style TV — large productions, with lots of people and glitter."

Similarly popular are traditional Chinese epics — kung fu costume dramas that involve astonishingly choreographed fight scenes. A long series based on the novels of Hong Kong writer Louis Cha, who is also publisher of one of the territory's leading Chinese-language newspapers, has been popular among Chinese audiences around the Pacific.

Brian Sung is well aware of the foundation of his own success, and this important export contribution to TVB's coffers: "Hong Kong people are just TV crazy, and when they come to live overseas, they carry the craze with them." As long as this remains the case, then TVB and Mr Sung are on to a good thing.

Japanese groups join consortium in telecoms bid

BY DAVID THOMAS

TWENTY-THREE Japanese companies, including some of the largest Japanese multinationals, have taken a stake in a consortium led by C. Itoh, the Japanese trading group, and Cable & Wireless, the UK international telecommunications company, which is bidding to provide a second international telephone service for Japan.

Cable & Wireless said yesterday that the participation of these Japanese companies would increase the consortium's chance of winning the deal.

The consortium, known as International Digital Communications Planning (IDC), is vying for a share in Japan's international communications market worth about $1bn (£694m) a year under the control of Kokusai Denshin Denwa, the Japanese telephone monopoly.

The consortium faces a powerful alternative group, International Telecommunications of Japan (ITJ), led by a handful of Japanese corporations with strong backing in some official quarters.

Besides C. Itoh and Cable & Wireless, which each has a 20 per cent stake, other major shareholders in the IDC consortium include Toyota, the Japanese car company, and Pacific Telesis, the US west coast regional telephone operating company, which each has 10 per cent.

The 23 companies which have now taken a small stake in the IDC consortium include Nissan, Nippon Steel, Toshiba and Nomura Securities.

The banking arms of Sumitomo and Mitsui have also taken a small stake. Their parent corporations are leading participants in the rival ITJ consortium.

The Japanese members of IDC have also said they are interested in taking capacity in the telecommunications link which Cable & Wireless plans between western Europe, the US and the Far East and which it calls its "global digital highway."

Sir Eric Sharp, Cable & Wireless chairman, said: "IDC is a unique development in international telecommunications and puts the UK alongside the US and Japan in the forefront of creating a new infrastructure for the world information era."

Israeli fighter sale 'blocked'

BY ANDREW WHITLEY IN TEL AVIV

ISRAELI negotiations to provide Honduras with two squadrons of Kfir combat fighters, valued at up to $200m, are reportedly being blocked by the US Government.

The Kfir, an Israeli-made variation on the French Mirage III, is powered by a US Pratt and Whitney engine and thus requires a US export licence for third party sales.

The export contract is a vitally important one for the state-run Israel Aircraft Industries (IAI), makers of the Kfir, facing a downturn in orders.

Officially, IAI will not comment on the Honduran negotiations. According to one well-informed Israeli official, however, the objections from the US to the sale stem from competition for the sale with an unnamed American company.

A preliminary contract to supply Honduras with the Israeli combat aircraft, a mainstay of the Israeli Air Force, is believed to have been signed.

Estimated by Israeli officials to be worth between $150m and $200m, it would be one of the largest export orders the company has won.

Reports from Washington yesterday said that while the State Department and Pentagon have not raised any formal objections to the sale, difficulties have been raised by the US Treasury.

In 1981 Israel was able, after some difficulty, to secure US permission to sell 12 Kfirs to Equador. But an order on this scale for the more sensitive Central American region, is bound to create more problems for the US Government.

Honduras has a longstanding relationship with Israel in commercial and military fields. During the 1970s Israel sold the Honduran Air Force a number of military transport aircraft.

Bentley plans US launch

BY JOHN GRIFFITHS

BENTLEY cars are to be launched in the US in January.

Previously Rolls-Royce Motor Cars, maker of the Bentley range, have sold a few such models in the US but these have been mainly to British expatriates placing specific orders.

The cars will be marketed through Rolls-Royce's existing dealer network. Separate distribution was considered, but rejected, at least until the size and type of demand for the cars be established.

Only one model, the Bentley 8, is to be sold initially. Its price has not been fixed but is expected to be about $15,000 less than the similarly-bodied Rolls-Royce Silver Spirit, which costs $107,000.

The 136 mph Mulsanne Turbo R model is expected to be added to the range at a later date.

A Bentley spokesman said yesterday that the company believes "a high proportion" of Bentley sales in the US are likely to be incremental to Rolls-Royce models, rather than substitutes for them.

The Bentley 8 has been progressively engineered to provide more sporting qualities than Rolls-Royce models and the company insists that the cars appeal to a younger category of buyers than Rolls-Royce owners.

The company bases this assertion on experience already gained in the UK and on the Continent with the relaunch of the Bentley marque.

In the first nine months of this year, out of 684 cars sold in the UK, 293 were Bentleys, while of the 248 sold on the Continent 116 were Bentleys.

The renewed strength of Bentley sales parallels continued growth in total Rolls-Royce sales world wide.

Way cleared for Uruguay round of Gatt talks

BY WILLIAM DULLFORCE IN GENEVA

OFFICIALS in Geneva appear to have successfully ironed out differences over the organisation of the new round of trade talks and the nominations of chairmen to principal committees.

The 92 countries in the General Agreement on Tariffs and Trade (Gatt) will convene the first meeting of the Trade Negotiations Committee (TNC) on Monday. The committee will be the supervising body for their scheduled four-year effort to arrest the growth of protectionism and to enlarge world free trade.

This will enable the timetable set by trade ministers at their meeting in Punta del Este last month to be adhered to.

Ministers had set deadlines of October 31 for the first meeting of the TNC and December 19 for detailed neogtiating plans to be put into effect.

Mr Enrique Iglesias, the Uruguayan foreign minister who presided over the Punta del Este meeting, will chair the first TNC session and has been asked to continue as its chairman whenever it convenes at ministerial level. Mr Arthur Dunkel, Gatt's director-general, will chair TNC meetings at senior official level in his personal, not official capacity.

This arrangement reflects the continuing concern of Brazil, India and some other developing countries that the services sector should not be seen as falling within the purview of Gatt.

Under the compromise reached at Punta del Este, the Uruguay Round consists of two parallel sets of negotiations, those on trade in goods being conducted by Gatt members and those on services by governments in their own right.

After the TNC meeting on Monday (the Group of Negotiations on Goods (GNG) will hold its first session, probably under the chairmanship of Mr Dunkel. A separate Group on *Negotiations on Services* (GNS) will be chaired by Mr Felipe Jaramillo, the Colombian ambassador to Gatt who has headed its committee on trade in services.

Bangladesh plans £140m steel boost

BY JOHN ELLIOTT, RECENTLY IN DHAKA

A £140m modernisation of Bangladesh's Chittagong steel mill, which forms the basis of the country's steel industry, is about to start with technology and managerial services probably being supplied from Japan, Mexico and India.

The work includes the possible construction of a 600,000 tons a year sponge-iron plant, partly based *on countertrade of* iron ore for sponge iron with India and modernisation of the steelworks with Japanese aid.

The steelworks was built by Kobe of Japan and completed just as Bangladesh became independent of Pakistan in 1971. It has never approached its *capacity production of 250,000* tonnes a year. Output has ranged from 47,000 tonnes to 130,000 a year and there have been heavy losses.

Last year, however, following a switch of fuel from furnace oil to locally produced natural gas, and increased demand, it made profits of Takka 82m (£1.94m). The Bangladesh Steel and Engineering Corporation, which runs the mill, hopes demand will increase as a result of the Government's liberalised industrial policy.

NKK of Japan is expected to be awarded a consultancy contract shortly for modernising and upgrading the steelworks to produce 200,000 tonnes a year.

Japan has provided a loan for the work of up to Y4.7bn (£21.21m) at 1.25 per cent, repayable over 30 years with 10 years' grace. It is assumed that the contractors will also be Japanese.

Hylsa of Mexico is leading an international consortium negotiating a possible turnkey contract worth more than $150m for constructing the sponge iron plant.

The consortium includes Kawasaki Heavy Industries of Japan, and Birla Technical Services of India.

Hylsa would provide the technology and manage the construction, operation and marketing. Birla, which has put together part of the financial and counter trade package, would supply some machinery, as would Kawasaki.

The aim is to replace 65 per cent of the *mill's pig-iron and* scrap raw materials with sponge iron. The mill would take about 150,000 tonnes a year of the sponge-iron output, with 400,000 tonnes being exported, mostly to India, which would in return supply the iron-ore and pallets as raw materials. The remaining *50,000 tonnes would* be used in Bangladesh.

The consortium estimates the project's foreign exchange cost at about $120m. The consortium's proposals envisage Exim Bank of Japan providing about $60m, Exim Bank of India $50m, and Mexican financial sources $10m.

When the negotiations are completed. the government may seek soft loans from countries involved to offset expected increases in the contract price above the consortium's bid of $150m, which does not include all the facilities required.

UK NEWS

Junior market 'a threat to USM'

By Alice Rawsthorn

THE THIRD MARKET, the junior market which will be introduced next year under the aegis of the Stock Exchange, should attract around 200 companies in its first year of operation, but may pose a threat to the existing Unlisted Securities Market, according to a report published yesterday by the accountants Touche Ross.

After a series of delays the Stock Exchange proposes to launch the Third Market early in the New Year. It has been devised to function as a formalised version of the over-the-counter market which has sprung up off the Stock Exchange floor and will trade in the shares of young, unquoted companies in a less rigorously regulated environment than the stock market or the USM.

Touche Ross estimates that the Third Market will start to deal in the shares of 20 companies on its first day and will deal in 200 companies by the end of 1987. This would represent a speedier start than the USM, which attracted eight companies in its first day of dealings and recruited its 500th member company two weeks ago, after almost six years of operation.

Whereas the USM demands a trading record of three years and the main market five years, the Third Market will allow companies to join with no track record at all. Touche Ross anticipates that around 10 start-up companies will join within the first year.

In the report Touche Ross suggests that companies with pre-tax profits of less than £500,000 will join the Third Market, while those with profits of more than £1m will opt for a full listing.

"The attraction of the new marketplace will undoubtedly have an adverse effect on the number of companies joining the USM," said Mr Tony Herron, senior corporate finance partner at Touche Ross.

Just as the Stock Exchange has ensured that the cost of entry to the USM is marginally lower than that to the main market, so it will ensure that the cost of joining the Third Market is lower than for the USM.

Touche Ross estimates that for a company with existing public shareholders, the cost involved will be around £20,000.

Retail spending reaches record

By Janet Bush

BRITISH CONSUMERS spent a record amount in the third quarter of this year, according to provisional figures released by the Central Statistical Office (CSO) yesterday.

They spent a total seasonally adjusted £40.3bn at 1980 prices in the period, up 1.6 per cent from the second quarter and 5.2 per cent higher than in the period from July to September last year.

The CSO said that its third quarter estimate reflected increased spending on most categories of goods and services. Consumer expenditure has been on a firmly rising trend since around 1982, but growth has accelerated markedly in the last two quarters. In the second quarter, spending leapt to £39.6bn from £38.9bn in the first three months of the year.

Michael Donne looks at Britain's role in the new Airbus project

BAe cash call lands in Whitehall

OVER THE next few months, top executives from British Aerospace (BAe), the aircraft, missiles and space group, will be discussing with officials of the Department of Trade and Industry (DTI) just how much cash the Government will grant in launching aid for UK participation in the next generation of Airbuses.

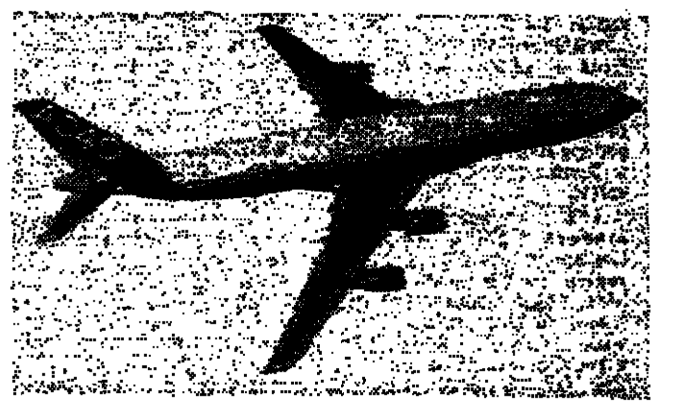
Although BAe will be pressing for up to about 90 per cent of the £700m it is believed to have asked for, it may eventually have to do with much less. This may be necessary because of overall pressures on public spending and other heavy forthcoming Government cash injections for the aerospace industry, for example on the UK's share of the new European Fighter Aircraft (EFA) and its engine.

BAe wants the cash to build the wings for the proposed new A-330 and A-340 airliners, intended by Airbus to widen its product range to compete more effectively in world markets with both Boeing and McDonnell Douglas of the US.

The A-330 is a 300-seat, twin-engined jet for short routes with high traffic loads. The A-340 is a 260-seat, four-engined jet for long-range routes where traffic loads do not justify using such giants as Boeing 747 Jumbo jets.

Airbus wants to build the two new aircraft in parallel, for service from 1991 (A-340) and 1992 (A-330), using common wings, fuselages and systems, to save development costs.

Originally, Airbus was suggesting overall development costs of about $2.5bn, but the estimate is now believed to be somewhere between $3bn and $4bn, over the period from 1987 to 1992. The heaviest cost burden would fall in 1987-89 – the main development phase. Airbus wants to start building next spring, to meet the early-1990s in-service dates.



BAe is asking the UK Government for what it regards as equality of treatment to that being granted by the French and West German Government to their aerospace industries on the venture – if not all the money, at least up to 90 per cent of the total costs, through loans repayable by levies on aircraft sales.

The money would cover the detailed design, development, tooling, and training costs of personnel on the wing programme, together with flight testing and initial production.

What is significant about the BAe application for aid is that it is based on the total Airbus "package" of both A-330 and A-340. BAe is not getting involved in the debate over recent months on whether Airbus should drop the A-340 part of its programme, in favour of joining McDonnell Douglas in developing the rival MD-11 tri-jet, planned by the US company as a replacement for the existing ageing DC-10.

Only this week, Mr Jean Pierson, president of Airbus, reiterated earlier statements that talks with McDonnell Douglas on possible collaboration on new long-haul jets were dead, because both sides insisted on retaining their own projects – Airbus the A-340 and McDonnell Douglas the MD-11.

BAe has accepted that situation, and has made its financing proposals on the basis both the A-330 and A-340. It is also basing its case on the fact that it has already invested more then £1bn, of its own money in civil aircraft ventures, including earlier versions of the Airbus. So far, the only Airbus launching aid it has received has been £250m for its share of work on the wings for the narrow bodies A-320 which has now logged orders for close to 400 aircraft, and which is due to fly next spring.

BAe believes that the Airbus Industrie market estimates justify building both the A-330 and A-340. Airbus foresees world airlines buying up to 1,300 new long-range jets by the end of the century, of which it believes it can win orders for about 250, against competition from the MD-11 and a new, smaller version of the Boeing 747, called the Advanced Short Body (ASB) aircraft.

Airbus has discussed the A-340 with many airlines, and has identified possible launch orders for up to 60 aircraft. Airlines interested include Lufthansa, Air France and Swissair.

Airbus also sees a world demand for about 1,780 aircraft in the high-density short-haul A-330 category, of which it believes it can win about 800. This is because the only likely competition in this field would be from Boeing, with a new version of the 767 twin-jet, the Series 400.

The DTI remains to be convinced of the validity of both the Airbus market forecasts, and BAe's request for such a large sum. The DTI is likely to argue that BAe, with its strong profits record, ought to be able to borrow the money it needs – or at least a large part of it – in the City of London or find some of it from its own resources.

It is clear that the bargaining is going to be tough. It is even possible that the DTI could request a re-examination of the question of collaboration with McDonnell Douglas, and bring political pressures to bear on Airbus Industrie and the French and West German Governments to try to achieve some accord.

Profit-related pay interests few companies

BY JANET BUSH

THE Confederation of British Industry yesterday urged the Government to continue to widen the debate sparked by its Green Paper (discussion document) on profit-related pay (PRP) but said only a small minority of its members' companies were interested in taking up the Government's proposals as they now stood.

"The overwhelming majority of members saw, for one reason or another, practical difficulties standing in the way of adoption and a minority of members was actively opposed to the initiative," the CBI said in its submission to the Green Paper.

The CBI represents around 250,000 public and private British companies and more than 200 trade associations, employers' organisations and commercial associations.

Mr Nigel Lawson, the Chancellor of the Exchequer, who published the Green Paper in July jointly with Lord Young, the Employment Secretary, and Mr Paul Channon, Trade and Industry Secretary, said PRP could be beneficial in two main respects.

First, it would give employees a direct stake in the success of their company and so improve motivation. Secondly, by enabling pay to respond automatically to changing market conditions, employers would be less likely to lay off workers when business was slack and be less reluctant to take them on at times of healthy growth.

The CBI said it backed the Government's view that PRP would benefit employee involvement in companies but said consultations with its members had failed to produce any support for the view that a PRP scheme would in itself lead to a direct increase in numbers employed. However, indirectly, greater employee commitment could work through performance and competitiveness eventually to help employment levels.

CBI members said the level of tax relief proposed by the Chancellor to encourage widespread adoption of PRP schemes would not in itself be enough to achieve a substantial increase in employee involvement and therefore performance.

The Green Paper proposes that a worker would get tax relief on one quarter of his profit related pay up to a maximum of five per cent of total pay, or £1,000, whichever is the lesser. This would be worth up to £12 a month for workers earning £10,000 a year, close to the national average wage.

The CBI also expressed concern about the extra administration and cost involved in qualifying for tax relief and the even more complex auditing the Green Paper implied. "CBI members feared that bureaucratic aspects would not be kept to the minimum, and the extent of regulation would be out of proportion to the tax relief being made available," the submission stated.

Many CBI members did not believe profit was the best measure to which the slice of profit related pay should be related.

● The idea of performance-related pay is being reassessed by the Government after a survey showed the continuing unpopularity of a merit bonus scheme for senior civil servants, David Brindle writes.

Labour caution on spending

By Peter Riddell, Political Editor, in London

A LABOUR Government would not offer blank cheques or easy money to local authorities, Dr John Cunningham, Labour's environment spokesman, said yesterday.

Adressing the annual conference in Newcastle of the Association of Metropolitan Authorities, Dr Cunningham set out in detail the main points of Labour's forthcoming local government policy document, which has just been agreed by a joint Shadow Cabinet/National Executive Committee working party.

He coupled his warning about the need for a "rigorous devotion to great efficiency in the use of public funds" with pledges to relax current controls on the use of capital receipts, the introduction of a general power for local authorities to, for example, set up enterprise agencies, changes to the definition of public sector borrowing and the abolition of the Rates Act.

Dr Cunningham argued that while central government would make more funds available to local government, partly through a special investment fund for job-creating projects, it would look very carefully at individual projects.

Dr Cunningham also said that a Labour government would review the current structure of local government.

Purchasing by PO passes value test

By David Thomas

THE MONOPOLIES and Mergers Commission has given a largely clean bill of health to the purchasing activities of the Post Office, which it investigated as part of its regular programme of studying the efficiency of the nationalised industries.

A report published by the commission yesterday says that the Post Office, which spent £380m on goods and services in 1985-86, has substantially improved its purchasing standards since 1981 and has generally obtained value for money.

However, the report makes a number of detailed recommendations for improvements. These include a review of the PO's dependence on one main supplier for postage stamps (Harrisons, a printing company based at High Wycombe, Buckinghamshire). It also urges the use of more outside engineering contractors for the maintenance of equipment and buildings.

It suggests that efforts should be made to reduce commissions paid to advertising agencies in addition to experimenting with an alternative fee-paying system for advertising.

A review of rates paid to small airlines for night air services is suggested on the grounds that the rates may be so competitive that they are driving small efficient airlines out of business.

The report recommends that stocks should be cut to an average three months' use by August 1987. In some cases stocks represent an average of nine months' use.

The Post Office said yesterday that it was reviewing, or had already carried out, most of the recommendations.

UK NEWS

Teachers' pay impasse delays spending accord

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT may have to make a special financial allowance to cover any settlement to the teachers' pay dispute in view of the pressures on the contingency reserves from additional spending on other programmes.

The special cabinet committee on teachers' pay and conditions is still undecided and divided with the Treasury reluctant to breach its spending targets. Mrs Margaret Thatcher, Prime Minister, has for once not given a strong lead. The official hope remains that a Government view will be known within the next two or three weeks.

A committee on Scottish teachers' pay has recommended a 16.4 per cent rise over 18 months. It has direct implications for teachers in England and Wales.

Teachers' pay is the main obstacle holding up public spending decisions for 1987–88 and beyond. This is why the timing of the Autumn Economic Statement is still undecided. The timing is constrained by the need to clear the decks before the British Gas flotation in mid-November.

Agreement has now been reached on the budgets for environment and housing and higher education, both much sooner than in recent years, as well as for trade and industry and employment.

Social security spending has also been largely settled although Mr Norman Fowler, Social Services Secretary, has been back this week to the Star Chamber Committee under Lord Whitelaw, leader of the House of Lords, to seek more money to reduce hospital waiting lists.

The gap on defence has been narrowed to about £300m above existing plans for next year, while the Foreign Office was in discussions again yesterday in the hope of agreeing its budget, especially a small real increase in overseas aid.

Moreover, the usual row between the Treasury and Mr Peter Walker, Energy Secretary, over fuel prices, has been much more muted than previously, partly because of the lower oil price.

The low key nature of the discussions reflects the Treasury's willingness to agree to more money for certain social programmes. This attitude has surprised some ministers.

CONSORTIUM CONFIDENT OF MEETING BRITISH TARGET

Tight finish likely on tunnel funds

BY ANDREW TAYLOR

EUROTUNNEL, the Anglo-French channel tunnel consortium, will not know until today if it has achieved the £70m British target it has set for its £206m international share placing due to be concluded this afternoon.

The £130m to be raised internationally, including £70m in France, is expected to be achieved without much difficulty, but the signs last night were that the British end is likely to be a close run thing although the consortium was still confident of achieving its target.

It is understood that firm pledges representing about 70 per cent to 80 per cent of the British target had been received by yesterday with a number of major institutions still to make up their minds.

There is flexibility to raise more from overseas should the British fall short of their target, but this would not help the project's credibility.

Japanese institutions in particular have expressed strong interest in the tunnel. Around a third of the 40 international banks, which have agreed in principle to provide Eurotunnel with loans and standby credits of more than £5bn, are Japanese.

In France the placing has been almost a *fait accompli* for several months. Eurotunnel, headed by Jean-Loup Dherve, its new French chief executive, proposes a 31-mile-long rail tunnel between Britain and France. It aims to issue in total 8.5m units comprising one share in Eurotunnel, plc, the consortium's British arm and one share in Eurotunnel SA, the French representative.

The units are to be placed, only with institutional investors at £12 and FFr 120 for the two shares, which are not permitted to be sold separately. The £60m to be raised outside of Britain and France is to be spread in roughly three equal tranches between Japan, the US and the rest of the world.

Subscriptions for units must be made no later than 2pm British time and 3pm French time today. A much larger £750m international share offer for sale is planned for next summer.

Kevin Brown writes: Translink, the contracting arm of the consortium building the tunnel, has reached preliminary agreement on a £1m order for the first locomotives.

Hunslet (Holdings) a Leeds-based engineering group, has received a letter of intent for the supply of four locomotives for use during construction work. They will be used to haul part of the estimated 1.8m cubic metres of spoil from the tunnel for dumping at Shakespeare Cliff, on the Kent coast.

The locomotives will run on a rack and adhesion system, similar to rack and pinion, and will be electrically powered by both batteries and overhead wires. Delivery is scheduled for May 1987.

Hunslet said the rack system would enable the locomotives to haul trains of 80 tons up the steep incline from the tunnel to the dumping site.

Court supports bar on Labour candidate

BY RAYMOND HUGHES IN LONDON

KNOWSLEY North Labour Party failed last night to obtain a High Court order blocking the decision of Labour's national executive (NEC) to bar Mr Leslie Huckfield from selection as the party's candidate in the pending Liverpool by-election.

Mr Justice Hoffmann refused to grant Mr Huckfield and the Knowsley North party a temporary injunction stopping the NEC acting on decisions taken on Wednesday to bar Mr Huckfield and impose Mr George Howarth as Knowsley North's candidate.

The court ruling came within hours of the writ for the by election at Knowsley North, caused by the resignation of Mr Robert Kilroy-Silk being moved in parliament. The judge gave three reasons for refusing to grant an injunction.

He thought it unlikely that it could be established that the NEC had acted unfairly towards Mr Huckfield, or broken the rules of natural justice. It was arguable that the NEC had the power under its rules to act as it did.

The balance of convenience, looking at the interests of both the Labour Party and Mr Huckfield, was in favour of not interfering with the by-election process by granting an injunction.

The judge also observed that the Labour Party's rules required parliamentary candidates to be endorsed by the NEC. Even if Mr Huckfield were to be selected it was most unlikely that he would be endorsed, the judge said.

The judge had been told that the NEC regarded Mr Huckfield as disqualified from selection because of an assurance he was said to have given when selected as a candidate for the European Parliament elections: that if elected he would not, during the lifetime of the European Parliament, or his term as a Euro MP, seek election to Westminster.

Mr Huckfield denied giving an assurance in those terms and complained that an NEC investigation into the matter had not given him a proper opportunity to put his side.

MPs later agreed on Thursday, November 13, as the date for the by-election in the safe Labour seat.

The Liberals initially objected to the speaker (chairman) issuing his by-election writ – normally a formality.

But after an hour and a quarter of sometimes acrimonious debate, including attacks on Knowsley North's former MP, Mr Kilroy-Silk – who has claimed he was hounded out by the Trotskyite Militant Tendency – MPs approved the poll date without a vote.

Liberal leader Mr David Steel said the writ should not be moved until the name of the Labour candidate was known and the outcome of the court case known.

Waterloo fears army of French invaders

PARLIAMENTARY SKETCH
By John Hunt

THE proceedings in the Grand Committee Room where the House of Commons select committee on the Channel Tunnel held its 30th hearing yesterday has become one of the longest marathons of its kind since Isambard Kingdom Brunel was subjected to a similar ordeal to build the Great Western Railway in the 19th century.

The purpose of this ingenious device is to permit small objectors to have their say before the Commons and Lords move on to the further stages of the legislation. The select committee procedure was chosen by Mr Nicholas Ridley, who was then Transport Secretary, in preference to holding a public inquiry into the Channel Tunnel proposals, which would have been even more time-consuming.

Dozens of petitioners have presented their cases and yesterday it was the turn of Lambeth Council to object about the difficulties that could arise with the development of Waterloo station to become the London terminal of the Channel link.

With the council under the leadership of Mr Ted Knight and the hard left, it has become customary for its critics to append the word "loony" to its title. But yesterday it was conducting itself in a most unloony fashion.

We had the unusual spectacle of the council appearing as the champion of the petit-bourgeois small businessmen who are likely to be affected by the proposals for the terminal.

There was hardly any sign of the agitprop that often surrounds Lambeth campaigns, just the occasional green badge declaring "Let Waterloo live."

Mr Giles Dolphin, the borough's senior planning officer – or "team leader" in Lambeth parlance – gave a highly professional presentation and put cogent arguments on behalf of the local community that has clung on in the area amid expanding office development.

According to Mr Dolphin these survivors would be under more pressure if the terminal went ahead. The influx of international passengers would create a demand for ships and businesses that would not be used by the locals – bureaux de change, banks, travel offices and hotels – creating yet another downward spiral of the local community. Homes would be bought up and turned into expensive pieds-à-terre for Paris businessmen.

There was a nostalgic picture of the old, established businesses in the area. The viaduct widening, Mr Dolphin said, would mean the demolition of the offices of Deinhard and Co, wine merchants, employing 62 people, and a similar fate would overtake the Royal George pub employing seven.

He predicted that the flow of international travellers and local rail users could reach 230,000 a day at its very peak and conjured up a terrifying picture of confusion on the concourse.

These foreigners would not be clutching briefcases like respectable British commuters but would be burdened with rucksacks and suitcases and would litter the area with luggage trolleys.

Labour MP Mr Allan Rogers wanted to know why hotel and tourist development should not be as desirable around Waterloo as it was in the south of France.

"I have never been to the south of France," replied Mr Dolphin, who clearly prefers the south bank of the Thames to the Left Bank of the Seine.

Harrowing personal stories from the Kent coast stand out from the technical jargon in the official minutes of the committee's proceedings. Wednesday started with a Mr Pattinson of the Old Water Mill, Frogholt, telling how he spent thousands of pounds on a protected property, only to be told that it might be compulsorily purchased. Fearing that he might eventually be redundant as a chef on Townsend Car Ferries, he was trying to build up a sideline as a violin instrument maker.

"I was totally devastated and my nerves are suffering," he told the committee.

Mr Robert Fry, of the Coach House, Newington, said there was an horrendous proposal to build the continental main line across his drive, an old property which he had spent "three years blood, sweat and tears" working on.

"If we lose that, we lose everything," he declared.

The remit of the committee is, in fact, very limited. It cannot consider the principle of the Bill or deal with matters of public policy.

This is graphically illustrated in the minutes of evidence for last Tuesday's hearing when Mr Gordon Wallis, owner of some self-catering holiday units at Newington, submitted his petition.

Mr Wallis: "There is another matter that does concern me and I think it is one that properly you and your committee do have some say in, and that is the possible abandonment of the scheme."

Chairman (Tory MP Mr Alex Fletcher): "No."

Mr Wallis: "I see. Then in conclusion there is no doubt in my mind that the Channel Tunnel project will adversely affect my business and what is more it will adversely affect the present tourist trade in our area and the future trade

"No one will wish to visit the area in order to stay. For at the end of the day there can be no doubt that this corner of our country will be nothing but coast-to-coast concrete."

New Zealand groups in property tussle

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

THE FIRST two New Zealand companies to stalk the UK property sector in recent years were yesterday locked in a £150m battle for control of Property Holding and Investment Trust (PHIT) of London.

In the early hours Wingate Property Investments, controlled by Chase Corporation of New Zealand since August, agreed terms with PHIT for a merger.

This followed an attempt by Apex Group of New Zealand, made on October 15, to win indirect control of PHIT through a tender offer for 29.9 per cent of the PHIT equity.

Chase is seeking to build a presence in the UK after its decision to inject £47m into Wingate. Apex is seeking entry to the British market. Both are responding to the relaxation of financial controls in New Zealand and expanding overseas.

The emergence of Wingate as PHIT's white knight to fend off the Apex Group caused an immediate flurry on the markets, first in New Zealand and then in London where turnover in PHIT shares reached unparalleled levels.

PHIT shares have been trading above the Apex offer of 160p a share. Yesterday they climbed quickly from 168p to 180p before settling back at 171p. Wingate's price, which has trebled in the last three months because of Chase and the New Zealand investment interest behind it, fell back 25p to 400p.

The Apex tender offer expires on Monday. Only then will the company decide whether it will continue the battle for PHIT with a full-scale bid of its own.

UK NEWS

Premium boost forecast for pension companies

BY ERIC SHORT

LIFE companies can look forward to a £500m to £750m boost in their annual pension premium income when new pensions provisions come into operation from April 1988 – more than double their current premium income from self-employed pensions business.

This prediction was made yesterday by Mr Roger Harvey, director of insurance research at Greenwell Montagu, when he addressed delegates on the second day of a conference in London on personal pensions organised by the Institute for International Research.

The 1986 Social Security Act not only introduced the right of every employee to take out his or her own personal pension, it also made it easier for employers to set up company pension schemes outside the State Earnings-Related Pension Scheme and for employees to top up the benefits from their company scheme by making Additional Voluntary Contributions (AVCs).

Mr Harvey accepted that life companies would benefit from personal pension business but felt that forecasts for the potential of this market were too optimistic. He considered that rather fewer than 500,000 employees would take out personal pensions and that the premium would average around £1,000 a year – not "spectacular stuff", but high enough to be profitable for life companies.

However, he considered that the other changes would generate much more business for life companies with smaller companies setting up pension schemes for the first time and many more employees taking out AVC contracts. In particular, he saw considerable potential in mortgage business with pension contracts being used to pay off the loans.

However, Mr Harvey emphasised that success in this field would only come to those life companies which were prepared to put considerable efforts in getting their marketing right. Personal pensions would not sell themselves. He concluded that threats to life companies from unit trust groups, banks and building societies, which were being allowed to sell personal pensions for the first time, had been overestimated.

Mr John Stewart, insurance services manager of the Woolwich Equitable Building Society, considered that building societies were well placed to sell personal pensions. They had a high and good public image, a wide customer base with thousands of retail outlets, a record of safe, risk-free investment and considerable experience in handling payments of varying size to and from customers.

Stress 'is main threat to health for staff in City'

By Financial Times Reporter

STRESS is regarded by City of London and other financial institutions as easily the most serious health issue facing their staff, according to a Mori survey.

Senior managers in 112 financial organisations were interviewed and 64 per cent identified stress as their main health concern, over four times the number who stated heart disease and six times those who mentioned alcohol.

Mr Bob Worcester, chairman of Mori, in giving the findings yesterday to a symposium organised by the private health insurers Bupa on Stress and the City, said that the most likely organisations to give a high rating to stress were accountancy firms followed, "somewhat to our surprise," by building societies.

Other high ratings came from wholesale financial institutions and those which were affected by the "Big Bang" deregulation of the City. Merchant banks were about the norm and the least stressful, according to their own evidence, were the retail banks. People who worked in the City had higher stress ratings than those in similar jobs outside London.

Too much work was seen as the biggest single factor in creating stress. Other causes given included the pace of change, long hours, competition, pressure to perform, overpromotion, conflict between work and private life and job insecurity.

The most frequently mentioned sign of stress, Mr Worcester said, was that the employee's performance suffered. Other symptoms included irritability, absence from work, indecisiveness, drinking and depression. Middle managers were thought to be the most vulnerable.

Only 22 per cent of the managers said their organisations had any formal way of identifying people under stress. "Few believe that they can identify stress effectively," Mr Worcester said, "and there seems to be little constructive prevention other than an annual health examination for senior executives."

Dr Joe Kearns, medical director of Bupa Occupational Health, told the symposium that stress was "the mismatch between the capacity of a person and the demands placed upon him or her."

● Contrary to popular belief managers are healthier, have a better diet, take more exercise and live longer than many other people, according to Dr Andrew Melhuish, medical adviser to the Administrative Staff College, Henley. He told a managerial conference in Kent yesterday that a manual worker's chance of reaching 65 was only 60 per cent of an executive's. He said most stress came from an executive's family life rather than from financial and work pressures.

Policy switch sought on information technology

BY DAVID THOMAS

A CHANGE in Government policy on information technology was called for yesterday by a pressure group representing mainly large British-owned information technology companies.

The United Kingdom Information Technology Organisation issued a policy statement on Government policy at a seminar in London attended by senior managers and MPs.

The statement said that the information technology industry in the UK was highly fragmented and argued: "only a change of Government policies in relation to the industry and a move towards an integrated policy can remedy the situation."

It stated that the dominance of US and Japanese companies "has resulted from deliberate policies on the part of their governments to support and develop their information technology industries."

The paper criticised the Government's approach and made recommendations on a number of detailed areas. It said that Government aid often led to support for the wrong projects – those which were not the applicant's first choice and which carried an even higher risk because of their "pioneering nature."

To remedy this, support schemes should be extended beyond research and development and awarded on the basis of different criteria, including that of export promotion and import substitution.

The paper was critical of the impact of inward investment on the UK industry

Skill shortages had been made worse by "the rather non-selective process of the provision or cutting back of budgets in universities and schools."

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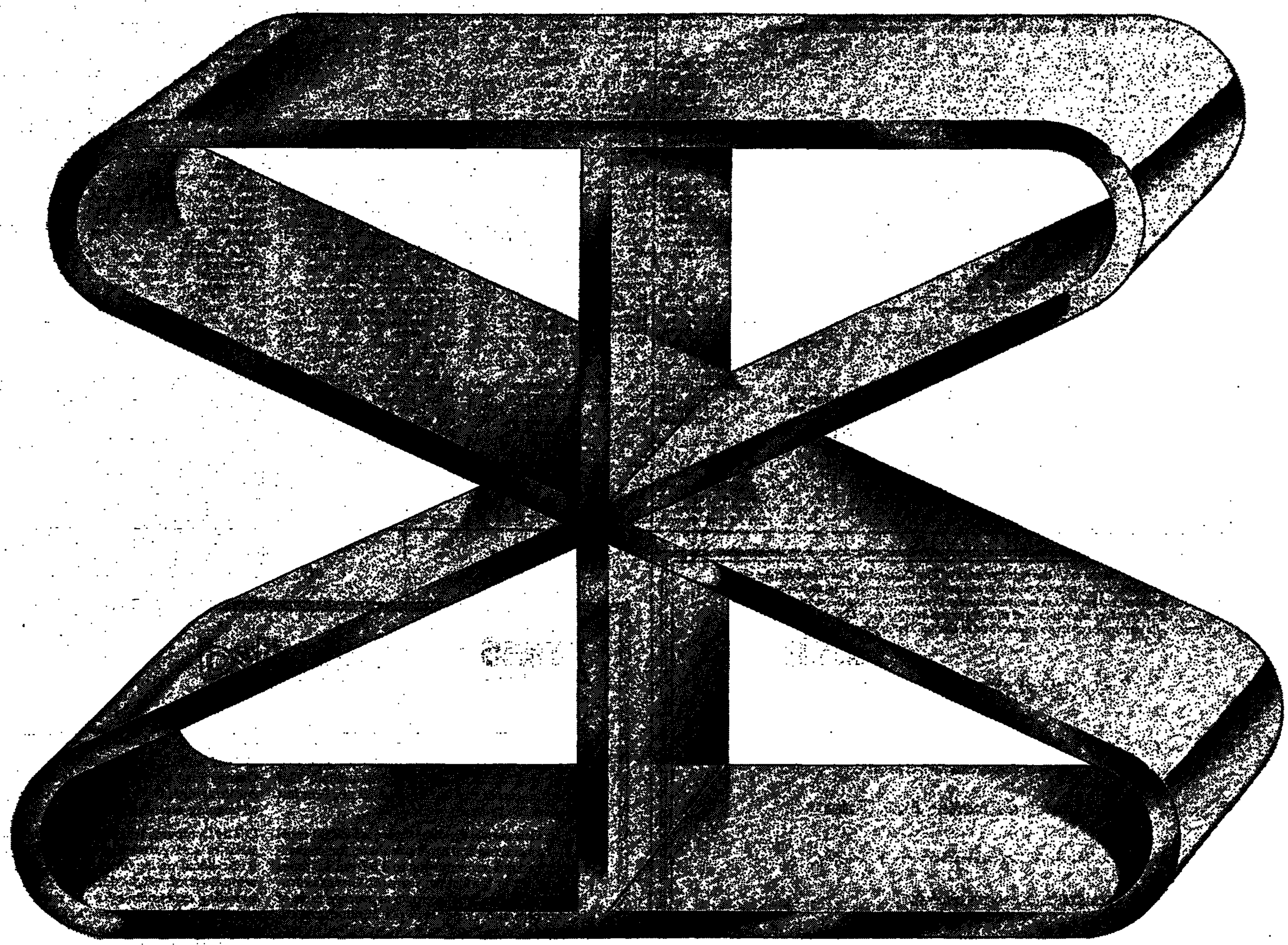

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MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Caterpillar

Planning to give its plants a future

Nick Garnett explains that the US giant is pinning its hopes on integrated manufacturing

A LOT of US production managers have looked on rather forlornly as their companies have gone belly up under the advance of Japanese industry.

Pierre Guerindon, executive vice president in charge of manufacturing at Caterpillar of the US, the world's largest construction equipment maker, has no intention of following suit.

"Advanced production, that's where we are going to beat the Japanese. They just haven't addressed the issue of integrated manufacturing."

Few US companies have the stomach left to say that, despite their glee at the discomfort the yen is causing their Asian competitors.

Cat is putting its money where its mouth is by forking out $1bn to revolutionise its manufacturing in a programme with the rather mushy name of PWAF (pronounced Peawaf)—Plant With A Future—so called because many of Cat's plants would not have one if the Illinois-based company had not decided to embark on the programme.

Caterpillar is adapting its product lines to what the customer wants: smaller diesel-powered machines

Running through into the mid-1990s, the plan involves consolidating manufacturing into smaller areas of the company's plants, automation and integration, simplifying workflow and model options and further outsourcing components. It will also involve a "drastic" fall in the head count, says Guerindon, but which, he stresses, will be carried out "humanely" and with a great deal of training for workers that remain at Cat.

The one-inch thick book in Guerindon's office which details the manufacturing cells, workflow systems and just-in-time production methods that will be installed at each of the company's 30 plants worldwide is a testament to the pressures manufacturers face in the merciless global battles raging in the construction equipment industry.

Cat's production costs are higher than those of Komatsu, its most persistent, able and ruthless worldwide competitor, and one of the programme's goals is to pull Cat's costs down by at least 15 per cent—to a level Cat says will be below its Japanese arch rival.

Cat has already been putting through a barrage of changes forced on it by the huge slide in worldwide demand for construction equipment at the turn of the decade. This was compounded by a sea change in what the customer wanted—towards diesel-powered smaller machines and away from the monstrous earth-movers on which Cat made its money.

Cat rolled up losses of $1bn in the first few years of the 1980s. It began the recovery last year and is forecasting a profit for the second year running thanks mainly to a grinding defensive programme that ran from 1981 right into last year, and in spite of the $26m third quarter loss, partly as a result of a strike, announced last week.

That programme involved shutting six plants, reducing manufacturing floorspace from 45m sq ft to 33m sq ft (still not completed) and cutting its workforce from 89,000 to 55,000. It also further concentrated sourcing of its products at designated plants and bought-in more bearings, pistons, forgings and castings.

That restructuring was supposed to cut costs by 25 per cent but Cat found the going tougher than expected and the out-turn was more like 19 per cent.

"We will continue outsourcing and belt-tightening," says Guerindon. "We'll take out the juice from that fruit but we'll develop other tactics to get costs down by another 15 to 20 per cent."

You can see why Cat needs to. Guerindon says 1,050 pieces of paper are still used to steer the production of one gear from design to manufacture at Cat's Peoria, Illinois, plant. Almost a third of manual hours are tied up at its Joliet, Illinois, plant, in handling materials and loading/unloading machines.

Cat's "tactics" are wrapped up in PWAF which is coordinated by a head office group of over 300. As part of the scheme, the number of robots at Cat plants will rise threefold from the present 200. The number of manufacturing cells will increase to between 500 and 1,000 and each plant will have on average 10 to 15 profit centres. By the mid-1990s the plan is for plants to have full integration between manufacturing, design, purchasing and accounts.

"We are moving towards high velocity manufacturing," says Guerindon. The 25 to 30 days it takes Cat to make a gear will be brought down to four days, he says. Inventory levels of two to three months' supply is destined to drop to less than a month.

The programme also adds up to a more ruthless approach to how much of its products Cat will make itself. Some 80 per cent of Cat's costs are tied up in 20 per cent of its components so the aim is to concentrate on core items while out-sourcing everything that can be manufactured more effectively outside. "It is going to be make what you cannot buy and not buy what you cannot make."

Core components include diesel engines, fabricated chassis, gearboxes, transmissions and hydraulics but more small fabrication will be out-sourced, together with some complete cabs, some undercarriages and some hydraulics.

Cat is already chopping down the model options it offers on its standard production lines. Each of the 45 different options on the 936 wheel loader, for example, require separate inventory and it is planned to reduce these to 26.

Cat has already found it hard to keep to targets during its defensive strategy of recent years. It has also watched other companies like General Motors stumble over its advanced manufacturing as the Detroit giant tried to learn a new art. "That does not bother me at all," says Guerindon. Cat is not intending to deposit its workforce in the wastebin and go for all-automated plants. Its products, in any case would probably not lend themselves to that.

One thing seems certain. If Cat is successful with this strategy the US paper industry will not like it. Guerindon's detailed planning bible predicts those 1,050 pieces of paper for that one gear will be down to 10 by the turn of the decade.

Purchasing

A singular way to increase competitiveness

BY WILLIAM DULLFORCE

EUROPEAN manufacturers are forfeiting a substantial competitive advantage by refusing to switch their purchases of materials and components from multiple to single sources of supply.

That at least is the conviction of Ivor Morgan, Professor of Operations Management at Boston University. An examination of purchasing costs is long overdue in many European companies, he maintains.

One difficulty is that the change he envisages implies a fundamental rethinking of the purchasing function in manufacturing companies and an adjustment to an entirely new relationship between supplier and manufacturer. For most European companies it would also mean a different approach to the training and status of purchasing staff.

Participants in an advanced manufacturing course the professor taught earlier this year at Imede, the international management training institute at Lausanne, Switzerland, showed symptoms of "severe indigestion" when he tried to outline to them the benefits of single sourcing.

Resistance among European managers to the suggestion that they should follow US companies in changing their purchasing practices was almost vehement, Morgan reports. His proposals were taken as an attack on traditional, tested principles.

In the US, however, dramatic reductions in materials costs of 25 per cent or more are being achieved by companies which have changed their purchasing policies. Single sourcing has in some instances been the key to survival.

Xerox would probably not have withstood the competition from Japanese and other manufacturers of photocopying equipment, had it not cut its worldwide supplier base from some 5,000 in 1981 to just over 300 today.

Japanese competition has similarly forced the big US car companies towards single sourcing at the factory level. IBM, the US computer giant took the same direction in producing its personal computers and Cummins, the US engine manufacturer, has sharply improved productivity by altering its buying system.

By contrast Morgan found that single sourcing was being attempted in Europe almost exclusively by US-owned companies such as Ford.

Since his return to Boston he has started to accumulate data which confirm the existence of very different perceptions about purchasing and significant performance gaps between US and European manufacturers. "All the pointers suggest there must be change in Europe," says Morgan.

Price has been the principal yardstick by which manufacturers have traditionally selected their suppliers. By spreading their purchases among several suppliers, it is argued, manufacturers can achieve the cheapest prices and the greatest assurance of a secure flow of materials.

One upshot of the traditional multiple sourcing system, however, has been the arms length relationship it has induced between the manufacturer and the supplier. Keeping suppliers at a distance has been seen as necessary to the free play of competition. But it blocks the transfer of information.

Limited

Morgan argues that in the traditional relationship the manufacturer is unlikely to know the real supply costs. As for technological development, designs for new components are usually fixed before being put out to bid and the suppliers' responses are usually limited to the specific part for which bids are being sought. The supplier's creativity is inhibited by his lack of knowledge about the overall product design.

Concentrating purchases of a key item on a single supplier has brought economies of scale and considerably reduced inventory costs for US manufacturers. Single sourcing in this context fits into the Japanese-style "just-in-time" production systems now being widely introduced in North America.

But Morgan does not highlight these advantages. He does not see the purchasing revolution that has started in the US as an imitation of Japanese practice. While single sourcing is an integral part of "just-in-time" manufacturing, it can be equally effective in other production systems.

On analysis, single source alliances show advantages that go beyond the cost gains of scale, the professor claims. In a few cases they have eliminated the incoming quality inspection by the manufacturer, a situation which would be very complicated to develop with multiple suppliers.

A supplier-manufacturer alliance provides a more predictable and smoother flow of materials and components, allowing both to plan better the use of their production capacities. It also allows a more rapid response to market fluctuations — no mean advantage at a time when consumers' demand for more variety is increasing the rate of product change in many industries.

Quality problems are easier to find and to solve when the manufacturing process is linked to single sources rather than fragmented across a large supplier base. And, just as important, the involvement of the supplier in product design is promoted.

A sheet metal fabricator is much more likely to know about the costs and complexities of metal box design than anyone thinking chiefly about what will fit into the box, Morgan points out.

This leads to the core of the purchasing revolution: the fundamental change in the relationship between manufacturer and supplier. The link now largely prevalent in Europe is basically one of suspicion, confrontation and unsophisticated information exchanges.

A single source alliance has to be based on openness and trust involving considerable disclosure of financial information on both sides as well as access to each other's quality controls and design operations. Information technology, which can be more easily applied to a single supplier, can help this development but it demands essentially a change in attitudes.

Some European companies have a long history of treating their suppliers abominably, Morgan states bluntly. British-born, he speaks from experience: his first job was with a company supplying pistons to British-based car manufacturers.

Internally, manufacturing companies need to rethink the role of their purchasing staff. In many, buying has been a career on its own, moving from paper work to bargaining on prices with suppliers. In future, if the supplier is to be treated as an integral part of the manufacturing process, the purchasing unit will have a much wider management role.

During his teaching spell at Imede, Morgan failed to convince his senior management students of the truth of his arguments. He was rather more successful in persuading his Imede teaching colleagues in the brainstorming session that preceded the editing and publication of Imede's pamphlet on the purchasing revolution*.

To the complaint that a single source alliance puts the supplier into a position of serfdom, the professor enumerated the advantages the supplier will gain from closer integration with his customer. But the new relationship does presuppose a much greater acceptance by the manufacturer of his responsibility towards the supplier.

Doubts that innovation and technological development would be served by single source manufacturing were countered by the argument that European companies have performed poorly in any case in developing new technologies under the multiple supplier system. The need for a better mechanism of scanning for new products and process technology was evident whichever purchasing method was used.

Failures

Morgan acknowledges, however, that far more research is needed into the effects of the purchasing changes in US manufacturing. Is it appropriate for small companies? Should single sourcing be applied to all manufacturing needs?

More analysis is needed of single sourcing's failures as well as its successes. For instance, has it worked in companies manufacturing for highly volatile markets? Then there is the basic question of how to create the new relationship of trust and loyalty between supplier and manufacturer.

But, Morgan insists, the change in purchasing techniques is under way in US industry and, willy-nilly, if they want to stay competitive, European manufacturers had better climb on board.

*Available from Imede, PO Box 1059, CH-1001 Lausanne, Switzerland.

THE PROPERTY MARKET By PAUL CHEESERIGHT

NEW ZEALANDERS

Hamilton ruffles PHIT

GRAHAME HAMILTON knows London. He has been in and out for 20 years. But London does not know him, although it is learning.

In fact, he is a 45-year-old New Zealand entrepreneur—"a cautious entrepreneur," as he puts it—who is a father of five and grandfather of three. Recently liberated from the formalities of corporate life, Mr Hamilton is the man who started a scurry of activity around Property Holding and Investment Trust (PHIT), as his ambitions spread from Australasia to Europe.

He wants a quoted London property vehicle and has the resources to get one. Property, he argues, is a reasonably secure entry to the UK market. "We were looking for companies with a sound property portfolio which had potential developments and whose managements were not aggressive but could be influenced to become so."

He had his eye on PHIT even before Greycoat made an abortive bid in the summer. So he put a tender offer on the table: 160p a share for 29.9 per cent of the equity—potential spending of at least £37m—from Apex Group.

But Mr Arthur John, the PHIT chairman, found a white knight in the shape of Wingate Property, itself propped up by Chase Corporation of New Zealand—at 165p a share. Next move to Mr Hamilton.

The New Zealanders, then, have arrived on the property scene. There could be more. Since the Lange Government in Wellington lifted the shackles on the New Zealand corporate sector, allowing borrowings overseas, Mr Hamilton's generation of entrepreneurs has taken wing.

Grahame Hamilton

He himself left Fletcher Challenge, the biggest New Zealand industrial group and built up Kupe Investments, a shell oil exploration company, to merge with Apex Group "which had $NZ140m of equity and cash with no management."

"I'm anxious to be back as a principal. Expansion (of Kupe/Apex) is directed at shareholders' funds which will allow me to do some of the things on a personal level I was doing at a corporate level," Mr Hamilton said.

Once the Kupe/Apex merger takes effect next month, Mr Hamilton will have a personal stake in the combined companies of 17.5 per cent. On current prices the group will have a market capitalisation of NZ$565m. Shareholders' funds are NZ$235m, which would be leveraged to NZ$522.2m. There is money to invest.

Originally, Mr Hamilton shied away from a full-scale bid for PHIT. Too risky, he thought. "To get 51 per cent, often in the UK you've got to offer a scrip option because a lot of the institutions are concerned with capital gains tax and they prefer paper. We knew Kupe paper would be unacceptable."

Mr John accused Mr Hamilton of bidding for backdoor control of PHIT. And, on the subject of control, Mr Hamilton is quite frank. "In the end that's got to be our objective. We're not going to be a passive investor."

But his favoured approach is co-operation with the existing board. "In the first instance we want to work with the board, evaluate management strategy, contribute our own concepts." For Mr Hamilton his New Zealand experience is perfectly relevant to the UK. "Property has a common theme in terms of the quality of its location, the nature of its tenanting, its expected yields, its management."

Reinhold's British entry

REINHOLD, the Swedish company, is making its first incursion into the UK market with a plan to redevelop, behind its 19th century facade, the Bible Society building on Queen Victoria Street in the City of London.

Speyhawk will be working with Reinhold on the project which will provide 32,000 sq ft of office space. Reinhold has a Swedish property portfolio valued at £360m, and the Bible House venture marks its expansion abroad.

Letting agents are Jones Lang Wootton and Sinclair Goldsmith, respectively the advisers of the Bible Society and Speyhawk. Reinhold were advised by Hiller Parker.

● County and District Properties, through Strutt and Parker, are spending £4m to acquire the freehold of the prime 138-142 Strand site in central London from an unnamed state body, advised by Hiller Parker. There is planning consent for 40,000 sq ft of offices and two shops.

● The Church Commissioners, owners of the Tower Ramparts shopping centre in Ipswich, opening next month, have withdrawn from the agreement to let 75,000 sq ft to the House of Fraser, because of uncertainty about the store's intentions, Chesterton Lalonde announced.

NEW TOWNS

Land disposals programme gathers pace

OVER THE next eight years, the Commission for the New Towns (CNT) will sell about £1bn worth of commerce property. Over the last seven years it has sold about £500m worth.

The sales programme is an unsung part of the Government's privatisation policy, involving the disposal of assets accumulated as, since World War II, new towns have developed. During the current financial year, Mr Nigel Lawson, the Chancellor of the Exchequer, is expecting CNT to contribute at least £120m to central government funds from property sales.

"At the end of the year, all the money goes over. We're not allowed to keep a black bag," said Sir Neil Shields, the CNT chairman.

A further facet of this privatisation policy is the activity of the London Residuary Body (LRB) set up to dispose of the property assets of the Greater London Council. The LRB is still trying to find out exactly what it has in its portfolio, but there are at least 6,000 properties scattered across London. The first sales this year should realise £30m.

But there is no windfall here for the national exchequer. LRB sales proceeds will be distributed, by an as yet unspecified formula, to the London boroughs.

What the CNT and LRB have in common, however, is a desire not to upset the market. Both are looking for full commercial values. But it is the CNT which has the sales experience.

Although the CNT was set up as long ago as 1962 to take over the assets of new towns from the individual development corporations which had supervised their initial growth, the present sales programme gathered momentum only after the Thatcher Government came to power in 1979.

"Mrs Thatcher was determined," Sir Neil recalled. "She said the new towns are costing money, but they've got a lot of assets. If you want further money for the new towns, find it from your own resources. Instead of just managing, enhancing the assets you should sell as well."

The CNT, though, his discretion about the timing of its sales. They take place, as Sir Neil put it, "when we consider it expedient. If the instructions were made more precise, we would have to go hell-for-leather in Skelmersdale, just like Crawley. We'd have to give the stuff away."

Certainly the new towns are a very mixed bag, at least in the context of property sales. Under the CNT control now are the London ring towns—Basildon, Bracknell, Crawley, Harlow, Hatfield, Hemel Hempstead, Stevenage and Welwyn Garden City — plus Central Lancashire, Corby, Northampton, Redditch and Skelmersdale.

Sooner or later Aycliffe, Peterlee and Washington, all in the north east, will come into the CNT ambit and probably later on Milton Keynes, Peterborough, Telford and Warrington. They will add to the CNT portfolio of potential disposals.

The market is absorbing the CNT sales in the ring towns. "But we have to phase it," Sir Neil said. Crawley has been easy and Harlow is picking up because of the M25. But the response in the north is not so willing—the London institutions are showing little interest.

In some cases, CNT has had to spend first to sell later—in Corby, Redditch, Stevenage and especially Skelmersdale where no sales are expected for five years. The aim is to improve properties to make them sellable. "But CNT is not a benevolent uncle giving money away. Anything to assist the disposal of assets is fine," Sir Neil said.

The nature of the sales has mirrored the current preoccupations of the property investors. Retail sites and centres have been in high demand. Location has been the key factor for offices. Sales of industrial estates, rather than individual sites, has been steady but not exciting.

First options on sales have been given to existing tenants—Kodak and BP have been among buyers. And some 70 per cent of disposals have been made this way. Here, prices have been negotiated between the value of a property where the tenant is probably paying a falsely low rent and what the value would be if the property came with vacant possession.

Of the £1bn worth of properties currently available for disposal, Sir Neil calculated that a portion of £200m results from this marriage value, this technique of negotiation.

For the freehold of its major office holdings, the LRB is adopting the same tactics. Land Securities, LRB said, had already taken the freehold of the Elephant and Castle shopping centre in south London. And there are more big properties to come: Centrepoint in central London, the Shell Centre on the south bank of the Thames, St Katherine's Dock, just to the east of the City of London boundary.

That leaves aside County Hall for which Richard Ellis, the agents, has already mounted a publicity campaign resulting in some 200 enquiries, of which 50 can be considered serious. County Hall, opposite the Houses of Parliament and on the bank of the Thames, is likely to net the LRB at least £100m, depending on the use to which it might ultimately be put. But that depends on planning permissions which, if granted, would come in the teeth of Labour opposition.

FT LAW REPORT

Exclusion of other forums not required for service of writ

ETS SOULES ET COMPAGNIE v HANDGATE CO LTD SA

Court of Appeal (Lord Justice Lawton, Lord Justice Lloyd and Lord Justice Balcombe): October 3 1986

WHERE THERE is no obvious forum in which a defendant can be sued other than the English court, the plaintiff is not obliged to prove there is no alternative and more suitable forum to the point of excluding all others in order to obtain leave to serve his writ out of the jurisdiction.

The Court of Appeal so held when allowing an appeal by the plaintiff, Ets Soules et Compagnie, from Mr Justice Hobhouse's decision setting aside leave to serve its writ out of the jurisdiction on the defendant, Handgate Co Ltd SA, a Panamanian company.

LORD JUSTICE LLOYD said that Handgate was a one-ship company registered in Panama. By a voyage charterparty dated September 20 1983 it chartered its vessel to a Hong Kong company.

In pursuance of that charterparty, the vessel loaded rice at Rangoon for carriage to West Africa. The charterer sold the cargo to Ets Soules which took delivery under bills of lading at Lomé. The bills of lading incorporated the terms of the charterparty.

Ets Soules alleged short delivery and wet damage. The amount at stake was said to be about $32,000. Ets Soules commenced proceedings by issuing a writ against Handgate within the jurisdiction.

Handgate's address was obtained from a perusal of Lloyd's register. It was given as the address in Hong Kong of a company called Samaha which was described as acting as agent for a number of one-ship Panamanian companies, including Handgate.

Ets Soules then set about obtaining leave for service out of the jurisdiction.

But service on a one-ship Panamanian company could present difficulties. The only method of service on a Panamanian company in Panamanian law was by personal service on the company's legal representative, who was the person registered or appointed by the company as such.

Failing such registration or appointment, service might be effected on the president of the company or, in his absence, on any other director of the company.

Accordingly, Ets Soules's solicitors made inquiries in Panama as to what appeared against Handgate's name on the register. They received an answer by telex giving the names of directors and officers, and stating a registered address in Hong Kong. The company's legal representative was said to be the president and/or the person designated by the board of directors.

On the strength of that information Ets Soules sought leave to issue a concurrent writ and to serve it on the president of the company at the address given in the register.

The ground of application was that the contracts contained in or evidenced by the bills of lading were governed by English law and therefore fell within Order 11 Rule 1(1) *(f)* of the Rules of the Supreme Court.

Leave was given. The solicitors instructed their office in Hong Kong to locate and serve, if possible, the president of the company. But he could not be located at the address given in the Panamanian register. Nor could he be located at the address given in Lloyds's register.

Enquiries of Samaha revealed the whereabouts of another director. Accordingly Ets Soules applied to amend the leave they had obtained so as to substitute him for the president. The application was granted and on November 6 1985 Handgate was duly served according to the law of Panama by personal service on the director.

Handgate's solicitors acknowledged service. On February 12 1986 they applied to set aside service on the ground *inter alia* that there was an alternative forum where Handgate carried on business, namely Hong Kong, where justice could be done at no greater inconvenience or expense.

The argument was accepted by Mr Justice Hobhouse. He held that Ets Soules had failed to exclude Hong Kong. Handgate, he held, could and should have been sued in Hong Kong, on the ground that it was carrying on business there and was therefore amenable to Hong Kong jurisdiction.

He said Ets Soules was in a dilemma. Either the service effected on November 6 was good or it was not. If it was good, then it would have been equally good for proceedings commenced in Hong Kong. If it was not good, Ets Soules must fail in any event.

But there was no such dilemma. Personal service on the director was good service on the company in accordance with Panamanian law, because that was what Panamanian law required. It did not follow that it would be good service of proceedings commenced in Hong Kong in accordance with Hong Kong law. Indeed, it would not have been good service in accordance with Hong Kong law unless Handgate happened to be carrying on business in Hong Kong.

There was no need for Ets Soules to show that Handgate was carrying on business in Hong Kong in order to make the service good by Panamanian law. So there was no dilemma.

Mr Popplewell, for Handgate, submitted that the burden was on Ets Soules to show the case was a proper one for service out of the jurisdiction under Order 11 rule 4(2); and that it did not satisfy that burden merely by showing the contract was governed by English law.

The first proposition was correct and the second was correct in general.

But Mr Popplewell also submitted that Ets Soules could, by the simplest of inquiries have discovered that Handgate was carrying on business in Hong Kong and that Hong Kong was therefore an alternative forum which was at least equally convenient to England.

He relied on *Amin Rasheed [1984] AC 50 (HL)* and *The Spiliada [1985] 2 Lloyd's Rep 116 (CA)* (currently under appeal). But they were both different from the present case in that there was an obvious alternative forum where the defendants could have been sued.

The whole question in the present case was whether there was an alternative forum at all. It was only when that was established that the question would arise whether England was more or less suitable than that alternative forum.

Mr Popplewell's argument that Hong Kong was a viable alternative forum, or that Ets Soules could and should have known it was a viable alternative forum, was not convincing.

In the first place, if Handgate were indeed carrying out business in Hong Kong, it was under Hong Kong law obliged to register as an overseas company. It never did so, so that inquiry of the Register in Hong Kong would have been made with negative response.

There was no reference to Handgate in the Hong Kong telephone directory, nor was there any reference at the companies' registry to Samaha being authorised to accept service on its behalf. There was not even a name plate for Handgate at Samaha's addresses. The mere fact that a company had an agent carrying on business in the jurisdiction did not mean it was carrying on the company's business. That was well settled in Hong Kong and in English law.

In the circumstances there was no basis for holding that Ets Soules should have known that Handgate was carrying on business in Hong Kong and was therefore amenable to Hong Kong jurisdiction. It followed that Mr Popplewell's main argument must fail.

His remaining submission was that there was no basis on which the court could interfere with the judge's discretion.

The court should always be reluctant to interfere with the discretion of commercial judges in cases of this kind. Nevertheless, on the facts of the case, the judge applied a test which was not only too strict, but much too strict. He held there was a burden on Ets Soules to exclude all other jurisdictions and in particular Hong Kong.

That might have been the right test if Handgate had been incorporated in Hong Kong or even if it had been registered in Hong Kong as an overseas company. But that was not the case.

It could not be accepted that Ets Soules was obliged to exclude Hong Kong merely because it might have established in Hong Kong proceedings that Handgate was carrying on business in Hong Kong. If it was obliged to exclude Hong Kong on that basis, then why not any other country?

The evidence did not support the judge's view that the Handgate was amenable to Hong Kong jurisdiction. The most it established was that Ets Soules might have proved in Hong Kong proceedings that Handgate was carrying on business in Hong Kong. The difficulty of establishing that seemed to be a factor which the judge left completely out of account.

The court was therefore entitled to exercise its own discretion. On the evidence it was a proper case for service out of the jurisdiction. The exercise of the discretion was justified because there was no obvious alternative forum, indeed no alternative forum at all, except what might have been established with difficulty.

Lord Justice Balcombe agreed.

LORD JUSTICE LAWTON, also agreeing, said that there were only two pieces of evidence that Handgate carried on business in Hong Kong that the director was found there and that Samaha advertised in the Lloyd's confidential index as its agent.

The other evidence was overwhelming against its carrying on business in Hong Kong.

For Ets Soules: J. H. Malins (Clyde & Co).

For Handgate: A. J. Popplewell (Holman Fenwick & Willan).

By Rachel Davies
Barrister

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
24	25	26	27	28	29	30

Theatre

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and Lindsay Duncan still battling and bitching over lovers and other riffraff. (836 6111, CC 836 1171).

Misalliance (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

Lend Me a Tenor (Globe): Ian Talbot leads the new cast in Ken Ludwig's fizzing comedy about backstage tribulations in Cleveland, Ohio, during a doomed 1932 tour of Verdi's Otello. A blight at the opera. (437 1592, CC 379 6433).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

The Magistrate (Lyttelton): Handsome National Theatre revival of Pinero's great farce with Nigel Hawthorne funny, but not blissfully so, as the discomfited police magistrate. A safe bet. (928 2252).

Kafka's Dick (Royal Court): Alan Bennett resurrects Kafka as a tortoise in the living room of a contemporary dogsbody researcher, an insurance clerk like his hero. Brave, strange and funny play about biography hinging, in part, on the enlarged matter of a small member. (730 1745/1857).

Woman in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vanguard feminist drama; be not put off by that. (836 9987/5645).

When We Are Married (Whitehall): Impeccable, joyous revival of an English comic war-horse now with a new cast, but Bill Fraser returning as the tipsy Falstaffian photographer. (930 7765, 839 4455, CC 379 6565/6433).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

Galileo (Goodman): Brian Dennehy takes the title role in Bertolt Brecht's exploration of intellectual honesty in a repressive environment under the direction of Robert Fall, who has just taken over as the Goodman's artistic director. Ends Nov 1. (443 3800).

SPAIN

Madrid, Dixi Mask Theatre by Chinese group from Guizhou province. A spectacular drama with all the traditional ingredients-music, masks, fancy dresses and historical events. Palacio de Cristal, Retiro Park. (Wed and Thur). (274 66 14).

TOKYO

Black Lizard: Yukio Mishima's play based on an old Japanese thriller and starring renowned Kabuki onnegata (female impersonator) Tamasaburo as the sophisticated attractive female jewel thief (the Black Lizard). Superb acting by Tamasaburo, excellent stage set and effects make the plot easy to follow, even though in Japanese. Aoyama Theatre, near Shibuya. (542 1817).

Cats: Revival of the Shiki Company's production in the specially built tent theatre, directed by Keita Asari. (320 4800).

Chicago (in Japanese): Toho Company production directed and choreographed by Tony Stevens, starring Ran Ohtori and Rei Asami. Imperial Theatre (212 4811).

Opera and Ballet

PARIS

Music and dance from Bali at the Théâtre de Paris (4278 1954).

Don Carlos alternates with Prokofiev's Cinderella transposed by Nureyev into the Hollywood world of producers and stars. The modern version Cinderella is danced by Sylvie Guillem, Claude de Vulpian, the Prince/actor by Charles Jude/Laurent Hilaire, the Stepmother/producer by Michael Denard/Rudolf Nureyev/Patrice Bart. Paris Opéra (4266 5022).

WEST GERMANY

Berlin, Deutsche Oper: Tosca, sung in Italian, stars Raina Kabaivanska, Cornelia Murgu and Yoko Nomura. Also Heinrich Hollreiser conducting Die Walküre and Das Rheingold in Götz Friedrich's productions with Diane Curry, Lucy Peacock, Martti Salminen and Peter Hofmann. Lucia di Lammermoor and Katja Kabanowa round off the week.

Hamburg, Staatsoper: Die verkaufte Braut will have its premiere this week. The cast is led by Hildegard Hartwig, Linda Plech, Dieter Weller and Martti Talvela. La clemenza di Tito has a strong cast with Judith Beckmann, Daphne Evangelatos, Werner Hollweg and Stafford Dean. Zar und Zimmermann features Marianne Hirsti and Peter Haage. Also in the repertory: La Traviata.

Frankfurt, Opera: La Bohème features Ellen Shade and Alejandro Ramirez. The Masked Ball, sung in Italian, has Ellen Shade making her debut as Amelia and Susanne Freyler and Walter Raffeiner sing in Orpheus in der Unterwelt. A Jewgeni Nesterenko lieder recital closes the week.

Cologne, Opera: Eine florentinische Tragödie/Gianni Schicchi stars Anny Schlemm, Janice Hall, Alberto Rinaldi and Martin Finke. Die Entführung aus dem Serail convinces thanks to Ulrich Bielscher brilliant as Osmin. Cendrillon, sung in French, is conducted by Hilary Griffiths.

Stuttgart, Württembergisches Staatstheater: Tristan and Isolde with Jeannine Altmeyer, Waltraut Meier and Rene Kollo. Also, Otello, Madame Butterfly and The Marriage of Figaro.

LONDON

Sadler's Wells, Rosebery Avenue: Peking Opera (278 8916).

Royal Opera House, Covent Garden: Royal Ballet triple bill followed by The Sleeping Beauty. (240 1066).

SPAIN

Madrid autumn festival presents Spanish Contemporary Ballet Co Carmen Senra. Music by Vivaldi, George Cross, J. M. Jarret and Chick Corea. Teatro Monumental, Atocha 65. (227 1214).

ITALY

Rome: Teatro Brancaccio (244, Via Merulana): The Teatro dell'Opera opens its winter season at its overflow theatre with two ballets: I Pini di Roma by Robert North to Respighi's symphonic poem, and Le Boutique Fantasque, with choreography by Lorca Massine, based on that of his father, Leonide, for Diaghilev's Ballets Russes. (45 17 55).

Florence: Teatro Metastasio (Prato): Ballets du Grand Theatre de Geneve in El Publico by Federico Garcia Lorca to music by Back-Rabe, Philip Glass and H. la Bara. (Wed and Thurs). (277 9236).

Trieste: Teatro Communale Giuseppe Verdi: San Carlo di Napoli theatre production of Verdi's Rigoletto, conducted by Hubert Soudant, and directed by Lamberto Puggelli, with Gloria Scalchi, John Rawnsley, Antonio Savastano (Fri, Sun, Wed). (631 948).

VIENNA

Staatsoper: Simon Boccanegra conducted by Abbado with Zampieri, Gonda, Bruson, Raimondi; Tosca conducted by Buckley with Troitskaja, Aragall; Un Ballo in Maschera conducted by Abaddo with M. Price, Pavarotti, Cappuccilli; Elektra conducted by Leitner with Ludwig, Martin, Reppel. (51 444/26 55).

Volksoper: Der Mantel and Gianni Schicchi; Hello Dolly; Orpheus in der Unterwelt; Der Wildschütz. (51 444/26 57).

NEW YORK

Joffrey Ballet (City Center): The five-week, 30th anniversary season features Frederick Ashton's La Fille Mal Gardée, a newly commissioned work from Mark Morris and the New York premiere of Mark Haim's The Gardens of Boboli. Ends Nov 16. 55th E. of 7th Av. (581 7907).

Metropolitan Opera (Opera House): The week features the first seasonal performance of Der Rosenkavalier conducted by Jeffrey Tate in Nathaniel Merrill's production with Anna Tomowa-Sintow, Brigitte Fassbaender, Taro Ichihara and Gottfried Hornik, joining Tosca conducted by Garcia Navarro in Franco Zeffirelli's production with Eva Marton, Placido Domingo and Italo Tajo; James Levine conducting Le Nozze di Figaro in Jean-Pierre Ponnelle's production with Elisabeth Söderström, Kathleen Battle and Thomas Hampson; John Dexter's production of Aida is conducted by Nello Santi with Martina Arroyo, Grace Bumbry and Leo Nucci; and Madame Butterfly conducted by Gianfranco Masini in Renata Scotto's staging with Yoko Watanabe, Vasile Moldoveanu and Lenus Carlson. Lincoln Center (362 6000).

New York City Opera (NY State Theatre): The week features Imre Pallo conducting Die Fledermaus in Gerald Freedman's production with Leigh Munro and Theodore Baerg; Don Quichotte, conducted by Mario Bernardi and directed by John Copley, and Mefistofele, La Traviata and Love for Three Oranges. Lincoln Center (870 5600).

Next Wave Festival (Brooklyn Academy of Music): New York debut of European dancer Anne Teresa de Keersmaeker features her work, Rosas Danst Rosas. Ends Nov 2. (718 636 4100).

WASHINGTON

Washington Opera (Opera House): The first week of the season features Mstislav Rostropovich conducting Rimsky-Korsakov's The Czar's Bride, directed by Galina Vishnevskaya with Elizabeth Knighton, Cleopatra Ciurca, and Ivan Konsulov; and Wolf-Dieter Ludwig's new production of Il Trovatore conducted by Daniel Oren with Susan Dunn and Franco Bonisolli. Kennedy Center (254 3770).

CHICAGO

Lyric Opera: Handel's Orlando joins the repertory in John Copley's production conducted by Charles Mackerras with June Anderson, Marilyn Horne and Jeffrey Gall. Christof Perick conducts Pier Luigi Pizzi's production of Parsifal with Tatiana Troyanos, Jon Vickers and Hans Sotin. (332 2244).

TOKYO

Folkloric Dance and music from Okinawa. This group of islands south of Japan with a different history and culture from the mainland has only in the last century become part of Japan. National Theatre. (Thur). (265 7411).

Music

LONDON

English Chamber Orchestra conducted by Philip Ledger with Jose Luis Garcia, violin and Steven de Groote, piano. Handel, Mozart, Bach, Vivaldi. Royal Festival Hall (Mon). (928 3191).

Academy of St. Martin-in-the-Fields conducted by Sir Neville Marriner with Iona Brown, violin. Vaughan Williams, Walton and Beethoven. Royal Festival Hall (Tue).

London Mozart Players conducted by Owain Arwel Hughes. Mozart, Chopin, Schumann and Mendelssohn. Queen Elisabeth Hall (Tue). (928 3191).

London Philharmonic conducted by Adam Fischer with Shura Cherkassky, piano. Fauré, Tchaikovsky and Dvořák. Royal Festival Hall (Wed).

London Sinfonietta and BBC Singers conducted by Simon Rattle with Jill Gomez, soprano and Christopher van Kampen, cello. Tippett and Britten. Queen Elizabeth Hall (Wed).

Philharmonia Orchestra conducted by Leon Botstein with Blanca Uribe, piano. Schumann, Beethoven and Brahms. Royal Festival Hall (Thur).

PARIS

Ustad Vilayat Khan, Master of the Sitar: classical music from the North of India (Mon). Opéra-Comique (4589 0160).

Ensemble Intercontemporain conducted by Kent Nagano: Stravinsky. Carter, Copland (Mon). Théâtre de la Ville (4274 2277).

Orchestre Colonne conducted by Pierre Dervaux with Dame Janet Baker: Berlioz (Mon). Salle Pleyel (4561 0630).

Odile Bailleux, organ: Bach (Tue). Saint-Severin Church (4277 1863).

Ensemble Orchestral de Paris conducted by Armin Jordan, Bruno-Leonardo Gelber, piano: Mozart, Beethoven (Tue). Salle Pleyel (4561 0603).

Concerto for alto voices (Wed). Opéra-Comique (4296 1220).

Orchestre de Paris conducted by Semyon Bichov, Jean-Yves Thibaudet, piano: Berlioz, Liszt, Brahms (Wed, Thur). Salle Pleyel (4563 0796, 1-5 pm).

ITALY

Milan: Teatro Alla Scala: Vaclav Neumann conducting Smetana's Ma Vlast cycle (Fri). Emil Tchakarov conducting the violinist Anne Sophie Mutter in Brahms' violin concerto, and Dvořák Symphony No. 7 (Wed, Thurs). (80 91 26).

Rome: Auditorium in Fia Della Conciliazione: Giuseppe Sinopoli conducting Weber's Clarinet Concerto with Vincenzo Mariozzi, and Mahler's 6th Symphony (Sat, Sun). Verdi's Requiem, with the S. Cecilia orchestra and choir, and soloists Julia Varady, Waltraud Meier, Chriss Merritt and Jaakko Ryhaenen (Mon).

Rome: Auditorium of S. Leone Magno, Via Bolzano 38: The Alban Berg Quartet playing music by Mozart and Shostakovitch (Sat). (361 0051/2).

Parma Teatro Ducale: Valdimir Delman conducting pianist Alexander Lonquich in Mozart and Beethoven with the Emilia-Romagna symphony orchestra (Thur). (3 55 61).

Bologna: Teatro Comunale: Thomas Fulton conducting Rachmaninov's C Minor Piano Concerto with pianist Aldo Ciccolini (Sat, Sun, Tues). (22 29 99).

SPAIN

Madrid, Monday midday concert with J. Sanmartin (flute) and Jaume Torrent (guitar): Escobar, Vargas, Telemann and Giuliani. Piano duets: Rachmaninov, Lutoslawski and Stravinsky (Wed). Fundación March, Castello 77, free entrance.

Madrid, Orquesta Sinfonica y Coro de Rtve conducted by Jorge Rubio with soprano Carmen Bustamante and mezzo Mabel Perelstein: Mendelssohn. Teatro Real, Plaza Isabel II. (Thur).

Madrid, Autumn Festival ends with The Wallace Collection, a trumpet group playing music by Viviani, Diabelli, Mozart, Altenburg and more recent pieces by Berio, Arnold and an original by Wallace. Teatro Real, Plaza de Oriente. (Thur). (248 14 05).

VIENNA

Anna Pfaller, piano. Haydn, Weber, Chopin. Konzerthaus Schubert Saal (Mon).

Maria Clara Monetti, piano, Scarlatti, Mozart, Schumann, Berio, Franck. Musikverein Brahms Saal. (Tue).

Vienna string quartet with Peter Schmidl, clarinet. Haydn, Eder, Brahms. Musikverein Brahms Saal. (Wed).

Clemencic Consort led by Rene Clemencic. Schütz. Musikverein Brahms Saal (Thur).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Zubin Mehta conducting. Sherrill Milnes baritone, Crane Centennial Chorus directed by Brock McElheran. W. Schuman, Schubert (Thur). Lincoln Center (874 2424).

Merkin Hall (Goodman House): Sylvan Winds. Haydn, Beethoven, Ibert, Françaix (Mon); Daniel String Quartet. Mozart, Partos, Smetana (Tue mat); The Lark Quartet. Haydn, Libby Larsen (world premiere), Britten, Mendelssohn (Tue); Grant Johannesen piano recital with Gaby Casadesus piano. Fauré, Schumann (Wed); Musician's Accord. Joseph Schwantner, Sheila Silver, Ives, Messiaen, Wade Matthews, Kreiger, Bartok (Thur). 67th w. of Broadway (362 8719).

WASHINGTON

National Symphony (Concert Hall): Rafael Frühbeck de Burgos conducting. Narciso Yepes guitar. R. Strauss, Rodrigo, Falla (Thur). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestral Hall): Lorin Maazel conducting. Hindemith, Mahler (Tue); Berlioz, Stravinsky, R. Strauss (Thur). (435 6111).

TOKYO

Emma Kirkby (soprano) and Anthony Rooley (lute) in concert of English music: The English Orpheus – selection of composers from Dowland to Purcell. Ishibashi Memorial Hall (Tue). (237 9990; 363 0101; 371 2562).

Tokyo University Philharmonia, conducted by Victor Feldrill, violin: Chikashi Tanaka. Haydn, Mozart, Mahler. Shinjuku Bunka Centre (Tue). (350 1141).

Tokyo Symphony Orchestra, conductor: Takashi Yamaguchi. Programme includes Elgar Symphony No. 1. U-Port Kani Hoken Hall (Tue). (237 9990).

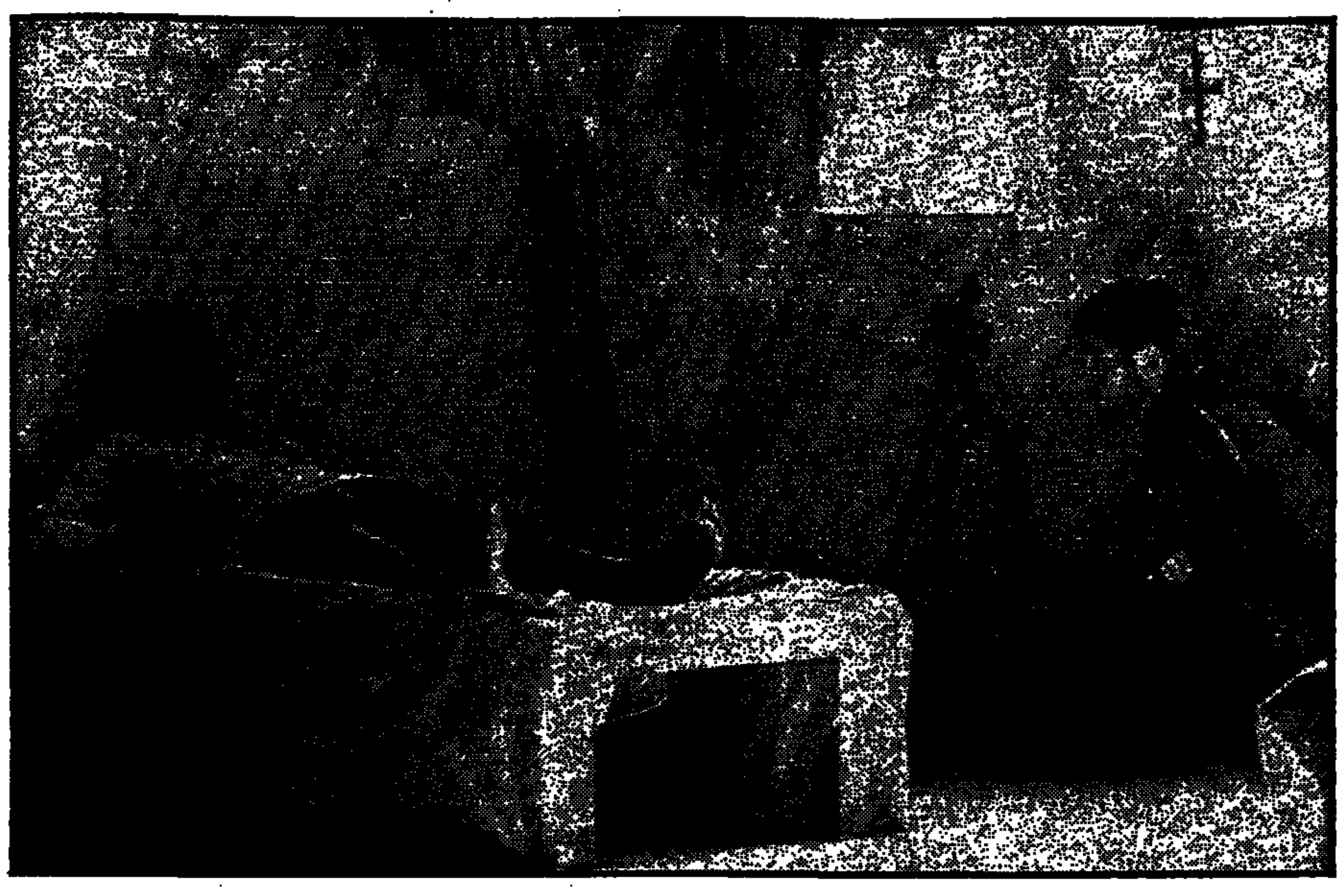
New Japan Symphony Orchestra, conducted by Rudolf Kroemer; piano: Shoko Sugitani. Brahms, Smetana. U-Port Kani Hoken Hall, Gotanda (Wed). (985 4836; 237 9990).

Berlin Philharmonic Orchestra conducted by Seiji Ozawa. Richard Strauss (Tues); Schubert, Beethoven (Wed); Mozart, Bruckner (Thur). Part of the gala series of opening concerts at Suntory Hall, Akasaka (505 1010).

Traditional Japanese music: Koto (horizontal harp), Shinichi Yonekawa. National Theatre, Small Hall (Tues). (265 7411); Junsuke Kawase, Ashahi Hall, Yurakucho (Wed). (265 7411).

Continued on Page 19

THE ARTS



Robert De Niro and Jeremy Irons in "The Mission"

Cinema/Nigel Andrews

The Mission's impossible

The Mission directed by Roland Joffe
Parting Glances directed by Bill Sherwood
Legal Eagles directed by Ivan Reitman
Latino directed by Haskell Wexler
Gone to Earth directed by Michael Powell and Emeric Pressburger

What does one say about a work in progress that does not make progress? Back in May *The Mission* was entered at Cannes in a confessedly interim state, with final editing and tinkering still to come. Although it won the Golden Palm, many critics (including this one) thought there was room for improvement. In the film's second half, especially, there was enough room for improvement to swing a cat in.

The work in progress is now a final work, and the review in progress must be final too. Alas, the new *Mission* is no better than the old one. It would take a super-sleuth to identify the changes at all, as screenwriter Robert Bolt's tale of warring imperatives in 18th-century South America thunders on for 125 minutes. As at Cannes, the opening hour is full of towering promise. Bolt's story gives us a Spanish mercenary and slave trader (Robert De Niro) converted to Jesuit beliefs after a series of tempestuous vicissitudes. Having joined the cloth, however, he soon has to choose between peace and the sword again. For Catholic politicking in Europe and new frontier treaties between Spain and Portugal threaten the very existence of the Jesuit missions.

Roland Joffe and Chris Menges, director-cameraman duo of *The Killing Fields*, make something magnificent of De Niro's passionate crime (a brother killed in a love quarrel) and of his ensuing penance: he treks under Father Jeremy Irons's eye through jungle and up mountain, carrying a huge sack of weaponry behind him, a Conquistador Sisyphus. And meanwhile Bolt begins to orchestrate his cunning tale of temporal and spiritual conflicts: church versus Church, conscience versus realpolitik, Christian love versus righteous anger.

But if the threat to the mission comes from State and ecclesiastical tyranny across the Atlantic, the threat to *The Mission* comes from box office opportunism on both sides of the ocean. Having set up its epic stall so promisingly—and showcased to thrilling effect the mythic dimensions of the landscape (waterfall, jungle, beetling cliffs) — the movie then decides to attract custom by selling off its themes and ideas at popular prices.

The mission and its member Indians are presented in increasingly banal Edenic form: all smiles, hard work and healthy teeth; and prone to improbably flawless flights of choral singing from the young Indians (move over, Aled Jones). And the film's historical context, instead of being dealt out to us artfully through the story and characters, is given in large unwieldy dollops of voice-over exposition. These are delivered by Cardinal Ray McAnally. He is the Pope's emissary, whose mission is to close the missions, and his narration is camouflaged as letters to His Holiness, most of which run on the lines of "Dear Pope, the story so far . . ."

The further we move towards final curtain, the unhappier the film gets. The climactic battle scenes are clumsily staged and almost totally peripheral to the story's tensions, which are less about a clash of arms than a clash of souls. And a symbolic coda of please-the-paying-public optimism is tacked on—surviving natives fishing the wreck of a floating violin from the river, words of hope from Cardinal McAnally—as if the naked truth of man's cruelty to man, and God's mysterious aloofness to it all, were more than the world's Odeons and ABCs could bear.

The Mission could, and should, have been a great epic tragedy. It has three performances that would worthily fit in one. Irons's sprung-steel sensitivity and utter conviction as Father Gabriel; McAnally's pale, sly, melancholic fox of a Cardinal; and the astonishing De Niro, *who even* when scarcely seeming to act at all has a charred and charring power in his eyes and can carry the tragedy of a whole continent in the bow of his shoulders or the limp fall of his head.

★

Parting Glances is a tale of yuppy love in the Manhattan gay set. Michael (Richard Ganoung), a young editor, is about to break up with Robert (John Bolger), a suit-and-tie careerist whose job is sending him to Kenya. Meanwhile former lover Nick (Steve Buscemi) is dying of AIDS, and a pretty boy from the record shop is hovering around, only too anxious to fill all the gaps in Michael's life. Now read on.

Or watch on. This is the kind of movie that sounds in summary like the leavings from a soap opera. But writer-director Bill Sherwood gives the film a wit and buoyancy that raises it high above the detergent level. It could well be the first film about homosexuals which is not about homosexuality. There is no special pleading or special agonising about the gay condition. These could just as easily be heterosexual people undergoing the existential round of work, love, illness, parties, bereavement, breaking up and *getting glued together again*.

Granted, not every heterosexual couple has a dinosaur skeleton (or something like it) hanging louchely from the ceiling, a chic explosion of ferns and bonsais round the walls, or an epicene boss (Robert's) who, when out of earshot of his wife, remembers past flings with young men: "The moon was shining over the desert . . . We did it right there, in the back of the Bentley."

But if gayness is mined for the odd bizarrerie or brittle cameo, it is never exploited for pathos or sexual agitprop. Even the dying Nick, an ex-performance artist, still patrols his room before a bank of TV screens, shelling out aphorisms to all who will listen, or tunes into *Don Giovanni* on his headset, or occasionally breaks out to go to parties. (His only problem at home is that he is sometimes visited by the Commendatore, who materialises fully armed and sinister in his kitchen. In short, *Parting Glances* is funny, wise, inventive, humane and thoroughly good for you.

★

Anyone seeing *Legal Eagles* straight after this will think he has caught a nasty dose of *déjà vu*. None of the main characters is gay in the film: Heaven forbid, with all-American super-wasp Robert Redford in the lead. But we start off with a stack of TV sets—"birthday presents from grateful clients," says lawyer Debra Winger, explaining the suspicious avalanche in her office—and we soon encounter a performance artist. This is Daryl Hannah, ex-*SPLASH* nymphette here playing a murdered painter's daughter out to avenge Dad's death and expose a giant art fraud. Will Miss Winger and fellow lawyer Mr Redford please help?

Yes, they will. But without any great assistance, I fear, from the writers (Jack Cash and Jim Epps Jnr of *Top Gun*) or the director (Ivan Reitman of *Ghostbusters*). This comedy thriller skitters triflingly on, mostly resembling *Mystery Of The Wax Museum* out of *Adam's Rib*. Scenes of darkling suspense alternate with knock-about duos between Redford and Winger, who try to be the Spencer Tracy and Katharine Hepburn of the mid-80s. They try—and we—should be so lucky.

Instead they are upscreened by Miss Hannah, who is the leggiest thing since the Colossus of Rhodes and far more attractive. She also has the gift of comic disarray. Her brief bout of "performance art" — reconstructing at home, for Redford, her Dad's murder, with the aid of burning birthday cakes and doll's houses—is at once the daftest thing in the film and the only scene in which it actually comes alive.

★

Elsewhere this week we have *Latino*, a hectoring if technically well-crafted agit-fiction by cameraman-director Haskell Wexler, all about the divine right of the Sandinistas to rule Nicaragua. And we have *Gone To Earth*, a rip-roaring 1950 romantic melodrama by Powell and Pressburger. This has been freshly cleaned and restored by the National Film Archive, so that we can now see country girl Jennifer Jones *falling for* caddish squire David Farrar in a sumptuously coloured rural England, circa 1890. Gird up your riding crop and go.

Endymion Ensemble/St. John's, Smith Square

Max Loppert

Even after all the Britten-Tippett concerts that London has heard in recent weeks, there is always room for another—that is, if the programme is as attractive a compilation as Wednesday's by the Endymion. It was given outside the orbit of the Britten-Tippett Festival, and it concentrated more heavily on Britten than on Tippett; but it was a valuable and very interesting additional contribution to the themes, contrasts, and juxtapositions already proposed.

Britten's two outstanding musical approaches to French literature—one early, one late—were particularly well placed in the same programme. *Les Illuminations* (on Rimbaud) and *Phaedra* (on Racine, translated Lowell) stand like two peaks in the whole Britten compositional range, the first a brilliant mixture of epigrammatic irony and sensuality, the second dry, bare, and stripped of all decorative detail. The distance travelled between the two sums up Britten's extraordinary artistic development.

The more immediately approachable work came off less well last night. Jill Gomez ought to be an ideal *Illuminations* soloist (and a soprano is always better heard in this work than a tenor), but for some reason much of the singing sounded tentative, hovering on the edge of flat intonation, and verbally unclear (the diminution in the usual pungency of Miss Gomez's sung French may in fact be explained by the St John's reverberance). Some things came off beautifully—the agility of the voice permitted some fleetly turned decorations, and the floating of the final two songs achieved the lambent atmosphere only hinted at earlier. Miss Gomez needs now to make a bolder approach to the music, and her conductor, John Whitfield, needs to rush the fast music far less. Much of the string playing was of very high quality.

In *Phaedra* Felicity Palmer etched a superbly proud, passionate Classical heroine—glittering, firm of line, shaped and graded to extract the work's fullest dramatic power. Miss Palmer is in complete command of the *scena* (her previous London performance of it, also with the Endymion, was no more than a sketch); all that now remains to be mastered is the correct pronunciation of the names Phaedra and Medea. In between came a sensational virtuoso account, by Messrs Stirling, Skirrow, Watkins and Maskell, of the Tippett Sonata for Four Horns. Tippet the Romantic Englishman and Britten the Sophisticated European (an aspect he was often to underplay) faced each other fascinatingly.

Banged Up/Young Vic Studio

Michael Coveney

With Vanessa Redgrave packing them in for *Ghosts* in the main house and this nifty Foco Novo presentation of two very fine short plays by Tunde Ikoli in the studio, the Young Vic is suddenly herself again.

Banged Up, as the title implies, deals in various states of imprisonment. In *Soul Night*, an East End couple who have not seen each other for 12 years re-live their tentative adolescent romance and compare it to contemporary fortunes in the ladies loo on a London Transport disco night; in *Please and Thank You*, a social worker interrupts a mother's suicide attempt in a council flat and *is revealed as the needy dependent* with fantasies of returning to his African roots.

Both plays use a technique of insetting the scenes of either reminiscence or fantasy into the present confrontation. It is in the first place bracing to see a playwright experimenting with form in this way. And, thanks mainly to Foco Novo's sponsorship and the attentions of his loyal director, Roland Rees, Ikoli is emerging as one of our most gifted young playwrights.

Soul Night has been given as an NT platform. Keith is a bus driver lurking in the loo where his wife has closeted herself because of his social promiscuity on the dance floor. In comes the long lost Madeleine, the girl he once instructed in the finer points of "funky chicken" choreography, now married to a booze-sodden bus inspector and living in South Norwood. For Madeleine, all hopes of fulfilment and escape vanished when Marvin Gaye died.

The pop music of the former friendship is poignantly counterpointed with the more reflective, middle-aged sounds of the disco. And the performances of Trevor Laird and Tilly Vosburgh as the black instructor and white besotted pupil (skin colour is a dramatic factor, and a powerful one) are touching, delicate and beautifully poised between present disappointments and past optimism.

Please and Thank You is less satisfying a play, but intriguing all the same, taking some strong liberties with our expectations and packing a lot of vigour and menace into the surprise turning of tables. Andrea Montag has designed an all-purpose Mooleum floor that doubles as institutional disco and grim accommodation. Bleak these plays may sound, but bleak they are not. They ripple with good writing and much laughter.

Alastair Muir

Trevor Laird and Tilly Vosburgh

Amis wins the Booker Prize

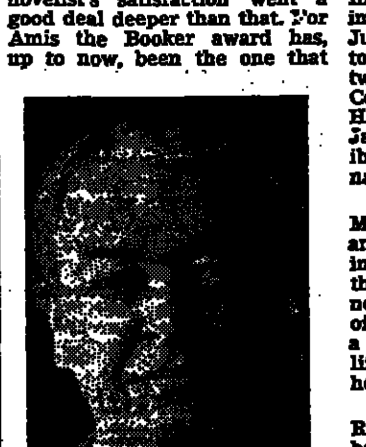
Kingsley Amis shook hands with Michael Caine, chairman of Booker, on Wednesday, with a smile of immense satisfaction as he received the 1986 Booker Prize for his novel, *The Old Devils* (Hutchinson, £9.95).

Amis said in his speech of acceptance that two people who would be very pleased with the award were his bank manager and his accountant. That may well be true; but the novelist's satisfaction went a good deal deeper than that. For Amis the Booker award has, up to now, been the one that got away and at last he has landed the biggest fish among the annual round of literary awards (£15,000 and a great deal more in international prestige and increased sales of the novel).

The chairman of the judges, the poet and critic, Anthony Thwaite, refrained from giving the customary lecture on the state of the novel to Booker's eminent guests at the Guildhall. Instead he asked them to imagine what the Booker Prize Judges of 1886 would have had to consider: one novel by Hardy two by Gissing, one by Marie Corelli, and one by Frances Hodgson Burnett. (Henry James would have been ineligible on account of his American nationality.)

This pleasant fantasy—with Mrs Gladstone and Mr Gosse among the judges—was perhaps intended as an indication that this year's prize has gone to a novelist in the main tradition of the English novel writing in a vein of mordant comedy about life in a part of Britain which he knew as a young academic.

As the reviewer in this paper Roger Lewis wrote when the book was published in September: "Amis knows the culture between Swansea and the Severn Bridge better than any Welshman . . . making for a book no Welshman would dare write and which I laughed long and loud with, recognising the truth on every page."



Kingsley Amis

BBC Symphony/Festival Hall

Dominic Gill

Felix Mottl's contemporary orchestral arrangement of Wagner's *Wesendonck Lieder* is so imaginative, so stylish and so effective that most people have never bothered to consider that they were not made by the composer himself—indeed, few programme notes or record sleeves even mention the arranger. The original version for voice and piano is only rarely heard.

For some reason, still obscure, although he suggests that Mottl's orchestration does not adequately convey "the intimacy of the songs," Hans Werner Henze made an arrangement of his own of the *Wesendonck Lieder* 10 years ago for modern chamber orchestra (including alto flute, bass clarinet and contrabassoon) which destroys not merely their intimacy but their marvellous textures, counterpoints and harmonies as well. The BBC Symphony Orchestra under John Pritchard gave the Henze arrangement possibly its first London performance on Wednesday: and I do not hope it will return again soon.

The instrumentation is pretentious and pointless, and uncreative to a degree—the piano version in each case is infinitely preferable. *Im Treibhaus* is a mess of fussy little textural shifts and pointings. *Schmerzen* is a travesty—like hearing a favourite song in the distance played on a barrel-organ: a nostalgic pungency of the music remains, but little of its real substance. For *Träume* Henze uses a catalogue of hideous wind combinations that almost entirely drown the timbre of the voice. Hanna Schwarz struggled heroically with her solo part, but it was a thankless task.

For Berlioz's *Les francs-juges* overture to begin with, and Chaikovsky's *Manfred* symphony to end, both the orchestra and Pritchard were on sparkling form. The Chaikovsky was one of those performances which, for no obvious reason, but rather by the workings of some mysterious alchemy, click into place from the opening bars and stay in place until the final chord. I have heard Manfreds less urbane, more fiercely contrasted, wilder in their climaxes—but Pritchard's was also complete in itself, faultlessly paced, and in many pages (especially in some of the gentler andante sections) exquisitely shaped and voiced. A reserved, but thoughtful and uncommonly perceptive reading, delivered without a trace of bombast or muddy rhetoric.

London Contemporary Dance

There will be five London premieres, including the world premiere of a new work by Siobhan Davies, during the London Contemporary Dance Theatre's season at Sadler's Wells from November 18 to December 6.

Siobhan Davies' new dance, with a specially commissioned score from Michael Nyman, will be seen in a programme which includes Robert North's *Songs and Dances*, Richard Alston's *Rainbow Bandit*, and Tom Jobe's *Liquid Assets*.

Saleroom/Antony Thorncroft

Sotheby's achieved its ambition yesterday and secured a six figure sum for "Le Grand Atlas" by Johannes Blaeu, the most famed mapmaker of the 17th cenutry. The 12 volumes, published in Amsterdam in 1667, sold for £110,000 to the Amsterdam dealer de Jonge. It was a record for a Blaeu.

This was a particularly fine copy of the most famous of all atlases, the best to be offered at auction in recent years. The fact that it was in French rather than Flemish increased its appeal, and it would be a disaster if the 599 maps, plans and views were torn out and sold separately. Only 300 sets of the atlas were produced.

An even rarer work by Blaeu, his first atlas of 1630 of which only five other copies are known, sold for £50,600 to another Amsterdam dealer, Nico Israel. It includes sixty maps, some making their first appearance. This copy, the finest coloured example, had been in the Jesuit library at Fontaines in France.

The sea atlas of John Seller, published in 1675, with 28 maps and charts, was bought by the Pennsylvanian dealer Arader for £30,800 (three times the high estimate), while Burgess/Browning of London paid £23,100 for a French 18th century atlas by Deslisle and Buache, with 388 maps and town plans.

Christies continued to dispose of the contents of Sheringham Hall in Norfolk yesterday, getting a top lot from the morning session of £5,500 for a pair of Worcester pieced quatrefoil two handled baskets, covers and stands, of around 1770. The Wednesday sale totalled £1,194,847.

The market for jewels seems strong at the moment, judging by the prices being realised in New York. On Wednesday at Christie's, the first session totalled £7,907,380 with 91 per cent sold. The top price was the £565,068 paid for an antique cabochon sapphire and diamond choker of around 1880 from the estate of Mary Stanley-Clarke.

Coming nearer home, the Guildford saleroom of Cubbitt and West secured a price of £480 for a set of twelve pairs of glass caviar dishes which are believed to have belonged to the Swedish royal family.

On November 10, Sothebys is to sell the second half of the late Sir Charles Clores collection of portrait miniatures. They date from the golden age of miniature painting, between 1770 and 1830, and the proceeds will go to charities he supported.

Continued from Page 18

Exhibitions

ITALY

Venice: Palazzo Ducale: China. In Venice: Chinese Civilisation from the Han Dynasty to Marco Polo (25–1279 AD): 150 objects, including silks, brocades, jewellery, terracotta figures, glass and porcelain lent by the Peking Museum. Many result from recent excavation, and most have never been out of China. The exhibition covers the main period of Chinese art, and the objects found in tombs, buried with the owner for his use in the hereafter, shed a fascinating light on life in the period. Ends March 1987.

Venice: Chiesa di S. Stae: Marc Chagall: Illustrations to the Old Testament: a *delightful series of gouaches* by Chagall during 1930-31. A few come from private collections, but most are lent by the Musée National Message Biblique in Nice – built to house his biblical works. The paintings convey strong religious feeling tempered by Chagall's charm, humour and undramatic approach. Ends Oct 30.

Rome: Palazzo dei Conservatori: Campidoglio: 74 sculptures by Degas – almost all from the San Paolo Museum in Brazil. The sculptures were cast in bronze between 1919 and 1922 by Degas's artist friend, Bartholome, from wax models left in the studio after Degas's death in 1917. Ends Nov 25.

LONDON

The Royal Academy: Je Suis le Cahier – the Sketchbooks of Picasso. It is in an artist's sketchbooks and notebooks, even more than in his drawings, that he demonstrates the true nature of his ideas. Without thought of any public role or statement, with no reason to think anyone will see his work, he is free to observe and work on variations upon his theme entirely as he chooses. When the artist is a very great one the creative discovery is quite simply enthralling. Picasso left some 175 sketchbooks from the mid-1890s to the late 1960s, until now never shown in public. Organised by the Pace Gallery of New York and sent on tour by American Express, it contains work from 45 of the books. Ends Nov 19.

PARIS

Francois Boucher: the 86 paintings and 25 drawings of his first major retrospective re-create the pastel-coloured world he peopled with voluptuous goddesses and Shepherds. Premier Peintre du Roi, a favourite and friend of Madame de Pompadour. Boucher personified the lighthearted charm and seduction of *the Louis* XVth Period. His pastoral and mythological scenes reproduced by engravings, tapestries and on Sèvres porcelain spread the influence of French court art all over Europe. Grand Palais, closed Tue, Ends Jan 5th (4289 5410).

Brueghel dynasty: the blend of crude realism and poetic vision proper to the Golden Age of Flemish painting is shown in the confrontation of the two Brueghel brothers, Pieter the Younger and Jan the Elder. Galerie d'Art St. Honoré, 267, Rue Saint Honoré (4260 1503).

WEST GERMANY

Essen: Villa Hügel: The chairman of Krupp, Dr Berthold Beitz, who is also head of the private Ruhr cultural institute, was the moving force behind this exhibition, helped by Mr Erich Honecker, the East German leader. The Villa Hügel, 114 years old, has been redecorated for the exhibition. This is the first show organised by the institute, founded three years ago on the initiative of the Krupp Foundation. The treasures from the period 1694-1733 of great Electors are on loan from Dresden's state cultural collections. The eight royal collections are presented separately with characteristic master works. There is also one of the oldest and most complete coin collections in the world and a huge collection of arms and copper engravings by Boucher, Chardin, Piranesti and Tiepolo. The picture gallery includes works by Titian, Poussin, Velasquez, Rubens, Rembrandt and Cranach. Ends Nov 2.

Stuttgart, Württembergischer Kunstverein: Artists in Germany from 1900 to 1945 represented with 200 pictures and sculptures. Ends Nov 9.

München, Neue Pinakothek: King Ludwig I as a collector: A photographic exhibition commemorating the 200th anniversary of his birth. Ends Nov 23.

Frankfurt, Schirn Kunsthalle und Kunstverein: Prospect 86. This exhibition shows the turning away from expressionism with 100 artists from Europe and the US represented. All works were done this year and include artists such as Rob Scholte, Salvo, Donald Baechler, Christa Näher, Miquel Barcelo, Anthony Gormley and Luigi Stoisa. Ends Nov 2.

NETHERLANDS

Den Bosch, Noordbrabants Museum. Some of the finest Dutch Old Master drawings from the Leiden Printroom are touring Europe. The main emphasis is landscape, but all genres are represented. It includes a Roman study sheet by Jan Gossaert and two allegories by Abraham Bloemaert. Ends Nov 2.

Haarlem, Frans Hals Museum. In Search of the Golden Age comprises 70 paintings, watercolours and drawings from 1800-1850. Ends Nov 30.

Amsterdam, Historical Museum. The Taste of the Elite focuses on Amsterdam's rich merchant class and its influence on art and culture as part of the celebration of the 18th century currently taking place in seven Dutch museums. Ends Dec 7.

Zutphen, Stedelijk Museum. An exhibition commemorating Sir Philip Sidney, the "flower of English chivalry", who died 400 years ago attempting to liberate Zutphen from the Spanish. Ends November 9.

Eindhoven, Van Abbe Museum. Currently drawing a record number of visitors to the 50th anniversary 'Eye level' exhibition of its entire collection. The 1,500 works read like a roll-call of modern art, from Chagall, Kandinsky, Braque and Picasso to Klein, LeWitt, Baselitz and Kiefer. Ends Nov 9.

The Hague, Gemeentemuseum: a display of 50 pieces of modern glass from the museum's collection. Ends *Nov 9.*

VIENNA

Dian – a submerged kingdom of China: According to the organisers this is the first exhibition in the west of treasures from the Dian Kingdom, which existed more than 2,000 years ago in south-west China. Unusual and spectacular gilded bronzes were discovered only 30 years ago in Dian burial grounds. Exhibits include dramatic groups of men and animals, showing scenes of war, dance and celebration. Also on show are weapons, tools, musical instruments, agricultural and weaving equipment, bronze drums and jewel boxes from what must have been a vigorous culture. Museum of Mankind, Neue Hofburg. Ends Nov 23.

SPAIN

Madrid: Pablo Picasso in Madrid. 46 oil paintings, seven sculptures and 5 drawings on loan by painter's widow Jacqueline, from the painter's private collection including Nu Debout of his blue period, a sketch on Guernica and one of his last pieces Mousquetaire et Personnage. Museo Espanol de Arte Contemporaneo (MEAC). Avda Juan de Orduna 2. Open 8.00 to 15.00. Closed Mondays.

Madrid: Amos Cahan collection. Spanish Art in New York. Paintings by 35 Spanish painters of the 1950-1970 period, who started two significant movements: Madrid's El Paso and Barcelona's Dau al Set. Fundacion Juan March, Castello 77. Ends Nov 9.

NEW YORK

Bravo Carnegie Hall: While Carnegie Hall is being renovated, the exhibition space at the Performing Arts Library at Lincoln Center honours the venerable venue with original architectural drawings and cutaway models along with a tribute to violinist Isaac Stern, president of Carnegie Hall, and memorabilia like the original programme of 1891 and other programme covers.

International Center of Photography: David Hockney's photo collage show, called A Wider Perspective, consists of vistas captured in serial photographs put together with playfulness by the artist. Three films of interviews are also on view. Ends Nov 9.

Whitney Museum: A retrospective of 168 of John Singer Sargent's paintings, watercolours and drawings provides the first major overview of the artist's work in 60 years, with many of his famous full-length portraits, and landscapes and informal drawings. Ends Jan 4.

WASHINGTON

National Gallery: Viennese Renaissance sculpture from the Kunsthistorisches Museum includes work by Bertoldo di Giovanni, Andrea Briosco, and Alessandro Vittoria. Ends Nov 30.

Hirshhorn Museum: More than 130 paintings, sculptures and drawings from a 5,300 donation by the museum's founder Joseph H. Hirshhorn on his death go on view with works by major contemporary artists including Illem Kooning, Arshile Gorky, Frank Stella and Henry Moore. Ends Nov 18.

CHICAGO

Chicago Historical Society: Louis Sullivan, a seminal figure in American architecture, is celebrated in an exhibit in the city he made architecturally famous with newly made models of his buildings along with drawings, sketches and building fragments emphasising his use of ornament. Ends Dec 31.

Art Institute: Ten centuries of Hungarian goldsmithing is displayed in a visiting exhibit of 69 pieces covering religious and secular commissions including medieval and renaissance chalices, cibrial, monstrances and reliquaries as well as suites of jewellery. Ends Nov 7.

TOKYO

Muromachi period (14th-16th century) scrolls and screens. A fine exhibition of some of the most representative art of the period collected by samurai Ohta Dokan. The museum is the former home of a prince of the Imperial Family. In Art Deco style and designed by French architect, Henri Rapin, complete with its abundance of deco fixtures and fittings, the house is worth visiting on its own account. Take advantage, too, of the secluded gardens – both Western style with lawns and the Japanese, a strolling garden with carp pond. One of Tokyo's few cases. Tokyo To-Teien Museum, Meguro. Ends Nov 9. Closed second and fourth Wednesdays.

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Friday October 24 1986

Dithering on farm policy

ANOTHER SEASON of farm price negotiations in the EEC is fast approaching, and the spectacle of political paralysis among ministers is more depressing than ever. In spite of repeated claims that the Common Agricultural Policy is being reformed, the problems caused by excessive and misdirected subsidies continue to pile up. Policy-makers continue to dither and drift.

The farm council's inaction looks increasingly ludicrous in the face of the rapid worsening of world agricultural markets—and of the EEC's agreement at Punta del Este to negotiate on farm subsidies in the new Gatt round. Other countries will need to be convinced that this commitment is anything other than lip-service.

Consider the fruits of CAP "reform." The dairy surplus is just as big a headache as it ever was, more than two years after the discovery of a supposed cure in the form of milk quotas. Beef has developed a large and expensive surplus of its own. Huge quantities of cereals are still clogging European warehouses, and the underlying production trend is still up despite recent pressure on prices.

Breaking point

The EEC budget, which only this year enjoyed a large new infusion of funds when the so-called VAT ceiling used to calculate member states' contributions was raised to 1.4 per cent, is once again at breaking point. No fewer than three European Commissioners warned budget ministers in Luxembourg last week just how overspent the Community is for 1987: on current projections, farm spending looks set to overrun the budget by up to Ecu 3bn. Yet, in the next room, agriculture ministers spent eight hours haggling over monetary compensatory amounts for poultrymeat.

The real issues are much more serious. Dairy quotas have manifestly failed to curb the surplus, the most expensive item for the Community—partly because they were fixed much too far above actual demand, partly because the cost and price signals to producers have been very favourable and partly because no member state has applied them with anything approaching the intended rigour.

The EEC's cold stores are holding almost 1.5m tonnes of butter, a record. Export opportunities on the world market are fast disappearing, and new domestic sales outlets negligible. A substantial proportion of the stocks is in any case old and almost completely useless; thus the Community will be forced to write off large amounts of money when it eventually gets rid of them. With characteristic absurdity, officials acknowledge that it would be simpler to destroy the stocks than to sell them—if only the budget could stand the necessary write-down. A further swingeing cut in quotas is essential, and ought to be accompanied by a stepping up of price pressure.

Short shrift

As to cereals, the central sector for CAP reform given its importance to livestock producers and to external trade, ministers have not even begun a serious debate. This year they may even be tempted to pretend that the problem does not exist, since harvests in the north of the Community are finding a readier market than normal in the drought-stricken south.

The few sensible proposals for structural solutions—such as Britain's idea of paying farmers to take land out of production, which has the merit of breaking the link between income support and production—have been given short shrift. So conceivably the Community will continue to muddle through, making piecemeal policy changes and performing an arcane juggling act with the accounts. But that will only defer the decisions which are inevitably crowding in, and make them more painful. The Community cannot afford the growing export subsidies which are required to compete in the world market. The policy of subsidising farm incomes by propping up internal farm prices is bankrupt. If the Gatt negotiations launched last month are to stand any chance of success, Europe—like the US, its main competitor—will have to make radical changes in farm policy.

Budgetary, external political and market pressures all point in the same direction. Either the Community can plan for adjustment now or be panicked into a disorderly retrenchment in the future.

Wrong cure for US chipmakers

THE GROWING role of defence spending in research and development by US high-tech industries has become increasingly controversial in the past few years. Critics in the US claim that it diverts valuable industrial resources into activities which offer dubious commercial returns. In Western Europe and other parts of the world, by contrast, the complaint is that the defence budget indirectly subsidises American companies' operations in competitive markets.

Both camps, however, have reason to be concerned about the plans being discussed by US semiconductor manufacturers to seek extensive Pentagon support for a $1bn collaborative project intended to help recapture leadership in chip manufacturing from Japan.

At present, defence funding of US industry invariably takes the form of contract work and is justified on the grounds that it is geared to meeting specific national security needs. The official position is that any commercial spin-offs which result are simply a bonus.

Harmful remedy

Now, it seems, the Pentagon may be urged to provide much more sweeping sectoral assistance to an entire industry. The rationale offered by the chipmakers is that their competitive position is so fragile that US ability to retain strategic independence in key defence technologies is in jeopardy.

The chipmakers indisputably face serious problems. Plagued by huge losses resulting from a prolonged downturn in the world market and relentless price cutting by Japan, most are finding it increasingly hard to finance the soaring development costs needed to stay in the game.

However, the type of remedy being discussed could well prove more harmful than the disease. By identifying itself explicitly with national security interests, the industry risks subordinating the Silicon Valley tradition of free-spirited entrepreneurship to pursuit of technological self-sufficiency as the overriding goal. It is highly doubtful that that would stimulate innovation.

Some US chipmakers fear that, in exchange for funding any project, the Pentagon would insist on effective control over it. Even if that did not happen, Pentagon involvement could exacerbate anxieties about US technology export restrictions which are already prompting some chip users overseas to diversify away from US suppliers.

From the standpoint of the US's major trading partners, however, the most worrying prospect of all must be that government support on the scale which US chipmakers appear to be contemplating would threaten to set off an international subsidy race.

Pugnacious champions

This week, EEC ministers managed to head off proposals by the European Commission which would have extended the Esprit support programme beyond collaboration on research into joint product development by electronics companies. European governments could find it much harder to check such demands if the US was leading the way.

There are other avenues open to US chip manufacturers. One is to pursue the trend towards more extensive private collaboration. Still more efficacious would be a rationalisation of the US industry's structure.

Fiercely individualistic leadership of many large US chip companies—some are still headed by the men who founded them as long as two decades ago—has kept the industry fragmented. The result has been to encourage duplication of effort and to leave companies undercapitalised in relation to their huge development costs.

A series of mergers which produced fewer, stronger companies—prompted by the market forces which were once championed so pugnaciously by the moguls of Silicon Valley—could do more to restore the industry's competitiveness than any amount of support from Washington.

FOREIGN COMPANIES IN SOUTH AFRICA

Retreat on one flank

By Terry Dodsworth in New York and Michael Holman and Andrew Taylor in London

IN A WEEK in which two of the most important companys in the West announced their intentions to sell their South African operations it seemed that the disinvestment movement had become unstoppable.

The news from GM, symbol of American corporate power, struck hard. On the following day IBM, the computer group and a rival to GM for the mantle of US corporate leadership, announced a similar plan for withdrawal. Twenty-four hours later Honeywell and Warner Communications followed suit.

Yet no such shock wave was felt across the Atlantic among UK companies, whose stake in South Africa was valued earlier this year at £6bn. Among the reasons are: a weaker anti-apartheid lobby, a Conservative Party which, unlike the Republican Party, is not seriously divided on South Africa and the relatively greater importance for many UK companies of ties with the Republic.

But for both business communities, the full repercussions of the week's developments may not yet have been felt. The proponents of political change in South Africa through enlightened business practices have undoubtedly suffered a major blow.

It was GM who took the lead in formulating the Sullivan principles, the list of guidelines for responsible corporate behaviour in South Africa and which have their counterpart in the European Community's code of business practice. They were named after their architect, Mr Leon Sullivan, the black Baptist minister who sits on the motor company's board.

Both GM and IBM earned plaudits for their efforts in advancing equal opportunities for blacks in their South African operations, and took a lead in forming the Corporate Council on South Africa, another organisation through which US businessmen were trying to bring pressure for the ending of apartheid.

"You cannot have these two companies leaving without having a big impact on other US corporations," says Mr Tim Smith, executive director of the Interfaith Centre for Corporate Responsibility in New York, an umbrella organisation for the radical church movement which formulated the first shareholders' resolutions against US investment in South Africa.

"They have been arguing that they are a constructive force for change. But they are now leaving in a mood of great frustration, and they are virtually admitting that their appeals for change have met with no response."

In Britain, there are fewer doubts. Royal Dutch-Shell, the world's largest company, which last month warned that Pretoria's policies were leading towards "ungovernability," is holding the line on involvement in South Africa. "We still feel strongly that participation is the right policy," said a spokesman yesterday.

Although Shell is one of a group of companies—including Barclays, Standard Chartered, Rio Tinto-Zinc—singled out in Britain by the anti-apartheid lobby, the majority of UK companies has yet to feel any significant impact or repercussions from the disinvestment campaign. Barclays, however, has seen its student marketing programme suffer—partly a result of the anti-apartheid campaign.

Some companies, such as Associated British Foods and Alfred McAlpine, have pulled out altogether; others like Turner & Newall, Associated Engineering and Blue Circle have reduced the scale of their South African operations, and Barclays and Standard Chartered have done the same by not taking up rights issues.

Their reasons have in the main been commercial—the falling value of the rand and fears about the future of the South African economy. Mr Colin Hope, managing director of Turner & Newall, describes the company's decision to reduce its stake in its South African operation to 51 per cent as "purely a commercial decision. Any influence that we have to determine events in South Africa would be lost if we pulled out. We are a progressive company with good pay and conditions for our workers and a high proportion of black managers."

Some local authorities have also sought to influence corporate policy. Birmingham City Council, for example, includes as a condition of contracts that work "shall not be placed with any person carrying on a trade, business or profession in the Republic of South Africa."

In practice, however, the ban has been difficult to apply. Many councils would find it difficult to replace the large contractors, a lot of whom have South African interests. Mr Colin Middlemiss, Midlands director of the Building Employers Corporation, says: "I do not know of any member who has been crossed off tender lists or failed to win work because of links with South Africa."

Officials at the Anti-Apartheid Movement, Britain's most influential anti-apartheid lobby, nevertheless believe that trade union pressure on companies with South African links is likely to increase. They acknowledge that blanket bans may prove ineffective. "Instead," says one official, "we will target particular companies and concentrate our resources on them."

In corporate America, the pressures are much greater, for a number of reasons.

First, the political situation in South Africa has, in the view of many US executives, changed decisively for the worse

Another factor is the sense that South African affairs are taking up a disproportionate amount of boardroom time.

Corporations involved in South Africa are embarrassed in their own back yards by shareholder resolutions. They are vilified in the universities, criticised in the churches, and are now being hit by a wave of institutional disinvestment culminating in the decision of the states of New Jersey and California to sell investments worth about $14bn in companies with assets in South Africa.

Even more immediately damaging have been product boycotts and service contract bans imposed in some US cities and counties. Bell & Howell, the communications group, is believed to have pulled out of South Africa mainly because of these.

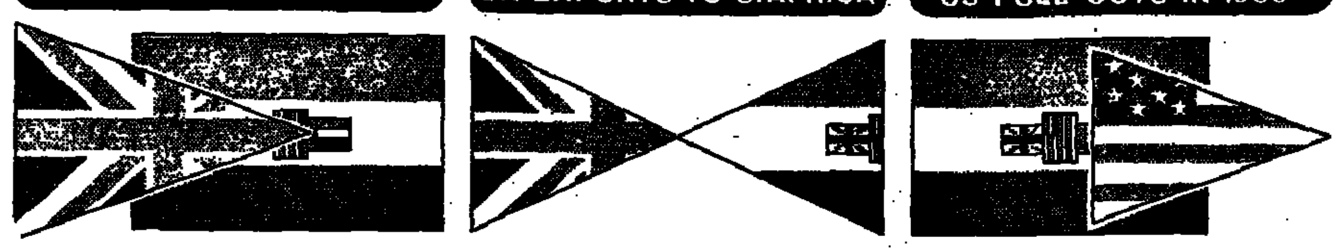
US congressional support for sanctions against South Africa, passed earlier this month, was a further blow. The move emphasised that public opinion was swinging decisively away from US involvement in South Africa and also put restrictions on new investment

Finally, companies must take account of the views of black Americans. Coca-Cola, the soft drinks group which sold its large South African operations, employing more than 4,000, earlier this year, is said to have been particularly influenced by its location in Atlanta, a southern city with a large black population.

As these problems take their toll on the roll call of US companies in South Africa, the pressure must also be building up for a change in the Administration's supportive foreign policy towards Pretoria.

Indeed, the Administration may well be faced by steadily more radical demands from the anti-apartheid groups now that they have drawn blood so effectively. The process of disinvestment to local companies which continue to be supported by US exports and technology is already shifting the debate towards demands for a total trade embargo on South Africa. The battle-ground appears to be moving even further from Mr Reagan's policy of "constructive engagement."

UK INVESTMENT | UK EXPORTS TO S.AFRICA | US PULL-OUTS IN 1986

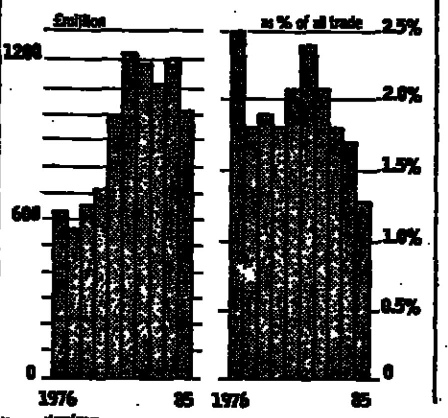


UK INVESTMENT

	ASSETS Rand million	WORKFORCE*
BARCLAYS	18458	26231
STANDARD BANK	10153	22048
AECI	1607	16503
BP	700	22000
SHELL	650	5870
CONSOLIDATED GOLDFIELDS	409	93051
BLUE CIRCLE	418	1760
HILL SAMUEL	226	236
COURTAULDS	195	8198

*INCLUDES ASSOCIATES

UK EXPORTS TO S.AFRICA



Source: Anti-Apartheid Movement/DTI/ERS

US PULL-OUTS IN 1986

APPLIED POWER	HONEYWELL
ASHLAND OIL	IBM
BAXTER TRAVENOL	MACMILLAN
BELL & HOWELL	MANPOWER
CBS	MARRIOTT
COCA-COLA	PENNWALT
COOPER INDUSTRIES	PHILLIPS PETROLEUM
DELAWARE NORTH	PROCTER & GAMBLE
DIAMOND SHAMROCK	ROHM & HAAS
EATON	SCOVIL
FAIRCHILD INDUSTRIES	SPS TECHNOLOGY
GENERAL ELECTRIC	W. R. STANLER
GENERAL MOTORS	STANLEY WORKS
GENERAL SIGNAL	VF CORPORATION
GTE	

Source: Investor Responsibility Research Center

Competitors move swiftly to fill the gaps

THE LATEST US divestments have added a substantial layer to an already thickening sense of gloom among white South Africans about their economic future.

Few people now believe the Afrikaner business leaders' claims that sanctions can be countered by self-reliance which, in turn, will lead to an economic boom. Nor, in the face of rising emigration, do many people really believe patriotic assertions that divestment and the departure of foreign firms will release a flood of local talent to develop domestic alternatives to foreign products.

In the short-term, however, divestments may not be as bad as some white South Africans fear. Most American firms are not severing ties with South Africa completely, and some have retained the right to return in future.

General Motors is just such a case. It failed to find a partner for its ailing South African operations, but rather than sell to one of South Africa's half dozen amorphous conglomerates, it has left the local firm in the hands of trusted managers and associates. Unconfirmed estimates are that GM will invest about R100m to repay its subsidiary's debt to local banks before selling out. GM also has a firm agreement allowing it to re-purchase the subsidiary

IBM has taken almost the same route. It is financing the purchase by local managers and they have agreed to negotiate "in good faith" a sale back if that is what IBM wants. Both GM and IBM are rushing to finance management buy-outs of their operations to beat the US Congress November 12 deadline, when new investment in South Africa will be banned.

Another important thread running through the divestments is that both American parents have retained South African markets for their foreign factories. GM will continue its R200m a year exports of auto components to South Africa from Opel in Germany and Isuzu in Japan.

Almost all American divestment this year has followed this pattern—thus Coca-Cola will continue to export coke syrup, Motorola will go on selling communications equipment even if the government is a principal customer and Derby Metals continues to trade through Phibro-Salomon's international network.

South Africa is thus not going to be cut off from American technology, not immediately at any rate. Moreover there are no signs of other countries following America's divestment lead.

Ironically, Japan, whose Goverment has banned investment in South Africa for years, seems likely to be a principal beneficiary of any US withdrawal. Hitachi, whose products are distributed by a subsidiary of Barlow Rand, is gradually eating into IBM's mainframe dominance by quietly assuring South Africans of its reliability as a supplier. Olivetti and Korean or Taiwanese clone makers have grabbed half of the personal-computer market, Toyota's components go into a quarter of the cars sold in South Africa, and Sony's consumer products are made and assembled by South African firms.

This week Olivetti emphasised its commitment by announcing plans to set up an assembly line for its range of personal computers.

Non-American companies, however, are also under attack by anti-apartheid groups in the US. At present most pressure is being on Shell, which felt obliged to re-state its commitment to South Africa earlier this week. South Africans worry about what will happen if one of the main Japanese companies has to choose between losing markets in the US or continuing to sell to South Africa.

Jim Jones
Johannesburg

Men and Matters

Moderation in Knowsley North

George Howarth's wife presented him with a bouncing baby girl on Wednesday, hours before Neil Kinnock, the Labour leader, handed him another volatile little package — the Knowsley North constituency.

Howarth, who is in line to contest the Knowsley seat for Labour, has been thrust into the limelight overnight, following the Labour leadership's decision to block Les Huckfield, the former left-wing Labour MP and currently a member of the European parliament, from fighting the seat.

Huckfield has received the largest number of local nominations for the candidature, but is, nevertheless, seen by party headquarters and by Kinnock in particular as a potential source of big trouble, given the backing he enjoys from Merseyside militants.

Howarth, however, is regarded as a moderate Kinnock man who will put up a good show in a seat which, barring political catastrophies, should be easily retained by Labour. A local man who was born in what is now Knowsley borough, he has lived there for all but two years of his life.

Aged 37, he was first elected a local councillor when he was 22. He became deputy leader of the borough council in 1982.

Two years ago he moved with his family to Penarth, South Glamorgan, after being appointed chief executive of the Welsh TUC sponsored co-operative centre in Cardiff. The move has not made him the most popular man among some local party activists.

Something of an authority on housing and workplace co-operatives — he set up the first three housing co-operatives in Kirkby — Howard has helped John Smith the shadow trade and industry minister, formulate Labour policy in that field.

Howarth must be odds-on favourite to win a short but potentially explosive by-election campaign. Last night, however, he was still unsure how many opponents he will have to face. The prospect of a fight against the Liberal and Conservative candidates may not prove too worrying in a seat like Knowsley. But the possibility of fighting an unofficial, alternative Labour candidate, put forward by the local constituency party, is not one he will relish.

Rings true

John Ogden, personnel director of Tate and Lyle—formerly headed by Sir Robert Haslam, now chairman of British Coal—entertained delegates at yesterday's Institute of Personnel Management conference at Harrogate with an apocryphal story about a man now featuring largely in Haslam's life—Arthur Scargill, president of the National Union of Mineworkers.

According to Ogden's anecdote, Scargill rings Haslam's secretary, asking to speak to Sir Ian MacGregor, to be told he has retired.

Six times more Scargill repeats the call, and eventually arrives in person at Hobart House, British Coal's London headquarters, to ask for MacGregor again.

An exasperated secretary says she has told him seven times already that MacGregor has retired. "I know," replies Scargill. "It's just that I love hearing you say it."

Health problems

Of course there is nothing improper about the leadership of the lower house of the Italian parliament deciding, somewhat unexpectedly, that the 630 members need another L500,000 (£256) a month on their salaries.

The increase will take them a little higher than the breadline represented by their current monthly salaries of £3,711. Only 70 per cent of that is subject to taxation. Each member also receives £430 a month in accommodation allowances.

But there is more than one journalist writing for the Italian Press who is convinced that the increase is directly calculated to compensate for the fact that members of parliament, along with other professional groups, will be liable to a new 7 per cent health tax.

Barbara Palombelli of the newspaper Il Giornale, reports that she came across a large group of members recently who were discussing just how they might escape paying a tax which many of them had helped to vote-in at the beginning of the year.

Quite apart from parliamentary feeling, the tax is a political hot potato. The Government has just announced a postponement of the deadline for its payment.

"That's all we need — a born again ex-jobber."

Jack's back

Jack Durlacher is delighted. Though the family firm of stockjobbers has disappeared with the Barclays takeover of Wedd Durlacher, he is taking a new job at the Stock Exchange after more than 50 years as a member.

Now in his early 70s, Durlacher has been appointed a director of one of the newcomers to the market. Prudential-Bache Securities. He will, says managing director Christopher de Boer, have "an ambassadorial role" for the firm.

Durlacher joined his family firm in 1932, became a member of the Stock Exchange in 1935, and retired as a senior partner of Wedd Durlacher five years ago. Since then he has been an honorary market official.

For some time after Big Bang, "the market is going to be quite a confused place," says de Boer. "With his experience, he will be a valuable help to us in interpreting what is happening, and how some of the new rules interact with the old.

"He knows all the main players in the market and is so well-known himself, that he will make a fine ambassador, helping to spread the word about what we, as newcomers, are doing in the market."

Unlike other Big Bang recruits, de Boer adds, Durlacher is so enthusiastic about the prospect that "we can't need a pair of gold handcuffs."

City Seaqers

The Stock Exchange's Big Bang rehearsal was not entirely unproductive. As Henry Magrill, an analyst with Grenfell and Colegrave, puts it: "Seaq and ye shal find. . . .

The main discovery at Grenfell seems to have been that the initials of the Stock Exchange Automated Quotations system could equally well stand for—Some Expect A Quagmire, or Space-age Electronics Awfully Quirky, or Sluggish Efficiency—Anxiety Quadrupled, or Sends Everyone Agsolutely Quackers.

Optimists insist Seaq Should Eventually Act Quickly.

Observer

POLITICS TODAY

When Central Office knows best

By Malcolm Rutherford

THERE ARE some subjects which perennially stir up British politics. You could go away for 20 years, come back and still find the politicians arguing about them.

They include the BBC, immigration and anything to do with official secrecy. All of them have been to the fore as the Commons returned this week, with the BBC at the top of the list.

It has become very difficult not to feel sorry for the British Broadcasting Corporation, even if it is sometimes its own worst enemy. There it was on Tuesday having to pay damages of £20,000 each to two Tory MPs — plus around £400,000 in legal costs — after it had promised to fight the libel suit all the way through the courts.

When the now famous Panorama programme "Maggie's Militant Tories" was broadcast in 1984 and the Conservative Party protested, the BBC thought that it had won and even that it had seen off the then party chairman, Mr John Gummer. It underestimated the persistence of Conservative Central Office. We are now told, even by Alasdair Milne, the BBC's Director-General, who had stoutly defended the programme at the start, that the evidence on which it was based was inadequate. It has been a humiliating climbdown on the part of the Corporation.

The Tory Party has not even been magnanimous in its victory. Conservative MPs have produced a motion censuring the BBC for its alleged poor standards and Central Office is about to publish a dossier claiming that the BBC showed political bias in its coverage of the American raids on Libya last April.

But that is for another week. Meanwhile, back to the present and the past, Mr Milne is not going to resign. He takes the view that the "Maggie's Militant Tories" affair is really a bit of a throwback. After all, it was transmitted nearly three years ago and legal processes take a long time. He thought that if it did go to court the BBC stood a good chance, if not of winning, at least of putting up a very good fight.

He changed his mind in the summer and decided that there must be an out-of-court settlement. He did this independently and without being leaned on by the Board of Governors. He says that the main reason was that some of the key witnesses on whom the BBC depended for its defence were no longer willing to appear. Thus the BBC was bound to lose.

The reason why the settlement was not reached before *the court proceedings* began was that the plaintiffs wanted a package agreement with the two Tory MPs being granted their claim at the same time. The BBC wanted to keep the claims separate. However, by last week-end the legal advice was to settle as quickly as possible. This advice was accepted by the BBC.

Back to the past again. After "Maggie's Militant Tories" there was another *cause célèbre:* the "Real Lives" programme about Northern Ireland to which the then Home Secretary, Mr Leon Brittan, had objected in advance because it included coverage of a suspected member of the Provisional IRA.

The BBC's Board of Governors appeared to uphold the objection. The programme was temporarily withdrawn, then subsequently shown with minor amendments. It would probably have passed unnoticed, if there had not been a prior fuss.

Still, a lot of damage was done. The Government had been seen interfering, the Board of Governors had overruled the Board of Management and the staff of the BBC were distinctly unhappy. There was, it will be remembered, a one-day BBC strike in protest.

Since then there has been a number of other developments: the report of the Peacock Committee on the financing of the BBC and the death of Mr Stuart Young, chairman of the Board of Governors.

The Peacock Report had a lot to say about the future of broadcasting in the 1990s and beyond, but very little about immediate problems. The death of Mr Young led to well-founded rumours that he would be succeeded by Lord King of British Airways, who really would take the BBC in hand. In the event that did not happen and the succession went to Mr Marmaduke Hussey, formerly of Times Newspapers, with Lord Barnett, the vice-chairman and once Labour Chief Secretary to the Treasury, holding the ring until Mr Hussey takes up his post next month.

Mr Milne says that in the last few years — since "Maggie's Militant Tories" in fact—a great many lessons have been learned. The Board of Governors and the Board of Management now work much better together and will work even better under Mr Hussey. The role of the Governors will revert to one similar to that between the Monarch and the Prime Minister: to advise, to encourage and to warn. It will be very rarely necessary for it to issue instructions.

Thus the BBC will issue a response to the Tory Central Office dossier on the Libyan coverage on a point-by-point basis, just as it would deal with any other complaint. Mr Milne seems remarkably confident that he can stand up to it. Then the BBC will get back to business as usual. Or at least it will if Central Office lays off, which is by no means certain.

It seems to me that there are faults on both sides. The BBC insists too much on its own virtue. In its evidence to the Peacock Committee it was excessively on the defensive. It prefers the *status quo* to the opening up of the entire broadcasting system that could come with technological change.

The Government, for its part, and especially Mr Norman Tebbit, *the party chairman*, wants to exercise tighter control while it may. It has not apparently stopped to think of the possible consequences of greater State control if there were to be a Left-wing Labour Administration.

Quite the best move for all parties concerned — politicians, broadcasters and the public — would be to recognise that the days of limited broadcasting under State regulation are coming to an end. Television could become like a library with no more regulation than the normal laws of the land like defamation and breach of copyright.

The BBC has been slow to see this. Perhaps the clashes with Mr Tebbit and his fellow Tory MPs will change its mind. None of the political parties has come round to it because all of them like the idea of being able to have some say in what the broadcasters are doing. Yet, if there were more television channels, it really would not matter if one of them seemed anti-American. It would be just like newspapers. Nowadays most people would regard book censorship in a democracy as absurd and repressive: indeed anti-democratic. One day it should be like that with broadcasting; the sooner the better.

* * *

The row over immigration has so far been relatively muted, largely because Mr Douglas Hurd, the Home Secretary, announced the new rules about visa requirements for visitors from Ghana, Nigeria, India, Pakistan and Bangladesh while the Commons was in recess. Also, when it returned on Tuesday, Mr Gerald Kaufman, the Labour shadow spokesman, made the mistake of adopting a high moral tone of indignation and speaking too long.

Probably the mood of much of the country was best expressed by Mr John Stokes, the Conservative Member for Halesowen and Stourbridge, who said: "Does my Right Hon. Friend understand that his statement will be widely welcomed by all sections of opinion? Will he disregard the Opposition's protests, which are not supported outside the House and which, I believe, are not supported by many ordinary Labour voters?"

That may be so, but the real weapon that should have been used against Mr Hurd was one of ridicule. Why had he acted in apparent panic? What is *going to be the Government's* next move against coloured visitors? When is it going to produce a coherent policy that does not look like discrimination?

The system of visas is actually defensible, at least on the basis of reciprocity. I have often thought that they should be introduced as a sanction against South Africa on grounds that it is such a painstaking process getting a visa to visit the Republic. This has apparently been considered by the Foreign Office, but rejected because it would have to apply to South African blacks as well as whites and the blacks may be more worthy of getting into Britain.

That would be quite a good defence against the charge that visa requirements are directed only at non-whites.

* * *

The issue that has not yet come to a head, but will, is the Government's response to the fourth report of the Defence Committee on the Westland affair. The report was published just as Parliament was recessing for the summer and there was no time to debate it. It ended with the complaint that its findings might have been more complete, and perhaps even less damning, if the Government had been more helpful in letting witnesses appear.

The brief response put out by the Government last week is a challenge to the role of all the Parliamentary Select Committees. It concludes: "The Government proposes to make it clear to civil servants giving evidence to Select Committees that they should not answer questions which are or appear to be directed to the conduct of themselves or of other named individual civil servants."

If the Select Committees take that lying down, they might as well give up. It looks as if the Government is seeking to become more secretive than ever.

That is the common thread of all three items: about broadcasting, immigration and accountability to Parliament. The Government has a tendency to try to get away with things that it ought not to and to do so by sometimes dubious methods. It needs to be knocked down a bit.

Lombard

The Emminger ghost lives on

By David Marsh in Bonn

AFTER THE breakdown of *efforts* at the IMF to *stabilise* the dollar, West German economic policy-makers have picked up with a vengeance the scent of the hard currency trail.

It is all the more timely therefore that this month should see publication of the memoirs of the late Dr Otmar Emminger, former president of the West German Bundesbank and for many years the country's chief monetary ambassador on the international financial circuit.

Dr Emminger died in August at the age of 75 while on typically active service in Manila working as the Bonn Government's consultant on economic matters to the new Philippines Government of Mrs Corazon Aquino.

Luckily, he had time since his retirement from the Bundesbank at the end of 1979 to polish off a unique eye-witness chronicle of post-war West German monetary history.

Dr Emminger's account, although written from a one-sided and at times downright egotistic viewpoint, adds to the store of anecdotes and analysis already traced in the works of the late Milton Gilbert of the Bank for International Settlements and Charlie Coombs of the New York Fed.

But it is remarkable above all for the way it rams home the central role that monetary policy has played in building up post-war German economic stability. A continuous German *Leitmotif* over three decades has been persistent refusal to accept imported inflation—first, through a consistently non-yielding interest rate policy and secondly, by periodic acceptance of D-Mark revaluations.

The first area — as the US Government has rediscovered during the past few weeks over its unsuccessful efforts to press West Germany to loosen the monetary reins—is the preserve of the constitutionally-independent Bundesbank.

The second falls into the domain of the Bonn Government. For the benefit especially of foreign observers who tend to assume, misguidedly, that Bonn and Frankfurt always speak with one voice, Dr *Emminger's book maps out the* fascinating history of conflict over the wisdom of revaluation, going back to Adenauer's time, between (and sometimes within) the central bank and the administration.

Dr Emminger, peppery, pugnacious and punctilious, always was a bit of a pendant. A firm believer, unlike a lot of less self-confident central bankers, in using the press to get his message across, he had a not always beguiling habit in interviews with journalists of first correcting and refining their questions to him before replying.

So it is characteristic that he takes to task former Chancellor and Finance Minister Helmut Schmidt, himself no slouch at pointing out other people's errors, for lapses of memory and of judgment over the move to floating exchange rates in 1973.

Dr Emminger, while making clear his disregard for pure Anglo-Saxon-style monetarism (now again out of fashion in London and Washington) also claims an important part of the credit for persuading Paul Volcker, the chairman of the US Federal Reserve, finally to tighten up monetary policy in 1980.

Mr Karl Otto Poehl, the present Bundesbank governor who was Emminger's deputy at the central bank between 1977 and 1979, gets a somewhat malicious mention chiefly for being absent on a skiing holiday at the height of the dollar crisis in March 1973. (An Emminger error here: Mr Poehl was in Zermatt, not in Gstaad).

Dr Emminger's central thesis is that for 30 years West Germany has been under "almost continuous pressure" to follow a more expansionary policy. "In good German, that means to join the international inflation community."

This, the Federal Republic has refused to do—and will go on doing so, it seems, even at a time when it is recording negative inflation rates. Anyone talking to monetary officials in Bonn and Frankfurt this past fortnight is in no doubt that the ghost of Dr Emminger is still stalking the corridors.

* *D-Mark, Dollar, Waehrungskrisen—Deutsche Verlags-Anstalt, Stuttgart.*

Letters to the Editor

Defence of Europe

From Viscount Trenchard

Sir, — Your leading article (October 21) on the defence of Europe makes interesting reading, but ends on a slightly misleading note.

You describe the conventional weapons advantage of the Soviet Union as "significant" as compared with the "very large" advantage in tactical nuclear weapons. Surely both adverse balances are now very large? Whether one looks at the figures of the International Institute for Strategic Studies or the Nato force comparison, the advantages in fire power on land and in the air is over two to one in all main areas. There have been changes in the conventional balance since 1979 as well as the change which you not in tactical nuclear weapons.

While we may have a "queasiness" over the current Nato dependence on nuclear weapons to halt aggression if, and only if, deterrence fails, the true costs to the democracies of significantly altering the huge imbalance of conventional weapons must not be underestimated.

Trenchard.
(Chairman, Defence Information Council.)
House of Lords, SW1.

Trustees and South Africa

From the Director-General, National Association of Pension Funds

Sir,—Permit me to correct an inadvertent false impression left by condensation of my speech to the TUC trustee seminar at Congress House. You identify my association (October 22) as "entirely in line" with the TUC in its campaign for disinvestment in South Africa. Not quite so.

I did specifically agree that there is no gap between us on direct investment in South Africa. In present circumstances, the different criteria applied by the funds and those applied by the TUC are likely to produce the same conclusion. Trustees must have regard to the viability and security of the investment. The TUC applies political and philosophical criteria. As I stated: "It is not surprising that pension fund direct investment in South Africa is immeasurable to the point of insignificance."

I was however, at pains to dissociate my members as objective investors from the new TUC campaign directed at a defined target of 20 named UK companies. I reminded delegates that financial institutions operate in world markets and warned of the dangers of a retreat to insularity which might diminish our role and that of the City. It would, moreover, affect our invisible earnings. I formulated no moral judgment and warned against blanket prejudice.

That said, I commend the TUC for bringing together trustees from all over the country to discuss these problems. Trustees, whether nominated by management, union or membership, carry a heavy responsibility. The lesson emerging was that they needed to operate with the fullest possible knowledge of the circumstances.

Henry L. James.
12-18 Grosvenor Gardens, SW1.

Nuclear power

From Mr L. Fletcher

Sir,—May I put my point of view to readers, some of whom may have been misled by certain correspondents and arguments that have been thrown out about the safety of nuclear power stations.

The cost of fuel for nuclear reactors is so cheap an enormous amount of money can be expended on their capital construction, and still equate to a fossil-fuelled station. Hence, large sums can be and are spent on all aspects of safety. Safety design in a nuclear station could be likened to a car cruising at medium pace down a wet road having to avoid: a car appearing suddenly from the right, a cyclist appearing from the left and a lorry jack-knifing towards it, with all the drivers being near idiots, or at least not concentrating on the job in hand. The reason for this over-design is that we have not yet the experience to design for the optimum.

Because an engineer is eminent in one field it does not follow that he is an expert in another. I am a retired professional engineer who spent most of his working life on the design of nuclear reactors. I would not be so arrogant as to give an opinion on the design and running of oil rigs or chemical plants on which I have litttle experience. In case it is thought this makes me nuclear-biased I would say I am far more worried about the world going to war because of an energy shortage and imbalance. My knowledge of the design and operation of nuclear stations is such that I consider a "Chernobyl" disaster could not happen here. There will be minor incidents as we learn, but none of these would involve more than the local personnel, and none of sufficient magnitude to worry the population as a whole. Unlike the carnage on the roads experience will reduce these incidents to near zero.

My car now carries me for thousands of miles without me doing anything to it except refuelling it. It never lets me down because the vast experience in cars has made it extremely reliable, and it gets regular preventative maintenance. I suggest that our children's children, far from cursing us for building nuclear stations, would curse us utterly for squandering fossil fuels when we had an alternative and denigrating the environment with their fumes.

We appear to be heading for the ultimate in energy, fusion. To develop this we need adequate energy production. It is surely far better to build our fission stations in a slow and orderly manner than have to build them in a panic. Let us not forget that whereas nuclear stations will make electricity cheaper as we gain experience, fossil-fuelled stations will make it dearer at an exponential rate. Oh, if only we had gone for 50 per cent nuclear in 1957 as we should have done!

L. M. Fletcher,
72 Severn Road,
Culcheth,
Warrington.

Motor pay and performance

From Mr N. Falconer

Sir,—The shop stewards of BL, now the Rover Group, are to recommend acceptance of a pay offer of only 3 per cent. Has sanity returned to the UK motor industry?

Alas, no. There is also a "quality bonus" of £10 weekly —for doing what the workforce is already paid to do. Even worse, because it weakens the link between pay-packets and performance, £4.50 of the productivity bonus will be consolidated into basic pay. Then a "regrading" scheme is proposed. A better adjective is "upgrading." If Bill's job is worth more than Joe's, but Bill is paid less than Joe, the balance will be corrected by paying Bill more, not Joe less. This will reverberate throughout the firm, conferring near-general rises. Yet BL is losing a million pounds every working day!

We taxpayers will pay, because the DTI guarantees "loans" that cannot be repaid otherwise. This is almost traditional. Inflation across the past five years has been 37 per cent. BL has paid itself 77 per cent more — for productivity gains which are attributable not to harder or better work but to automation and simpler-to-build vehicles—while making losses every year, £850m in all, plus extraordinary losses of £450m.

BL/Rover, with habitual weakness, has bought industrial peace.

Noel Falconer.
BL Individual Shareholders Society,
223 Bramhall Moor Lane,
Hazel Grove, Stockport.

Training for management

From the Principal, London Business School.

Sir,—Mr B. J. Bowden (October 21) poses two concerns regarding the MBA degree, but I think that he misunderstands the UK situation. The number of MBA places for UK students is effectively constrained by the University Grants Committee in terms of a quota on numbers which in turn determines recurrent grant (and fees).

LBS more than fills its quota each year, but also takes overseas students (who pay a full cost fee) on top. No UK places are lost through the enrolment of overseas students. Moreover, we are heavily oversubscribed for places, for both full or part-time study, and from home and overseas applicants.

If the quotas and associated grant for UK students were raised, I am sure that both Mr Bowden's concerns regarding numbers would rapidly vanish.

(Professor) P. Moore,
Sussex Place, NW1.

Home to a Guinness

From Mr P. Dubsky.

Sir,—Returning to Dublin recently I noticed a new advertisement on a railway bridge site approaching the city. It read: "Welcome to Dublin, the home of Guinness." Could this be a deadly Ernest effort to appease London and Scotland, by coming home to the ould sod?

Paul Dubsky,
8, Belgrave Square,
Monkstown, Co Dublin.

Good road to dig up

From Mr M. Quinlan

Sir,—Mr Stevens (October 20) is right: British Gas should guarantee to meet in full all share applications from people living in areas which it does not supply! (Alternatively, could it please run a pipeline up to Rabley Heath—it's a very pleasant place to dig the road up and the beer in the Robin Hood is excellent.) Without gas, and having been unsuccessful in the TSB ballot, I am beginning to think that the share-owning democracy excludes me.

Martin Quinlan,
Honeysuckle Cottage,
Slip Lane,
Rabley Heath,
Nr Welwyn, Herts.

FINANCIAL TIMES
Friday October 24 1986

Expulsions threaten arms deal prospects

THE TIT-FOR-TAT expulsions of diplomats by the US and the Soviet Union is beginning to threaten the prospects for the ambitious arms control agreement for which the groundwork was laid at the recent Reykjavik summit, writes Lionel Barber in Washington.

Just as the arrest of Mr Nicholas Daniloff, the Moscow-based US journalist, knocked everything off course when the Geneva arms control negotiations appeared to be on the point of a breakthrough, the latest upset in bilateral relations could have the same effect.

Concern has also been voiced on Capitol Hill where lawmakers have passed legislation pressing the administration to reduce the Soviet diplomatic presence to comparable levels with those at the US embassy in Moscow and its consulate in Leningrad. The Zakharov-Daniloff affair presented the US with a perfect opportunity to tackle the problem, starting with the expulsion of 25 diplomats from the Soviet Union's UN mission.

The risk was that the expulsions would trigger reprisals from Moscow and derail the arms talks. But it was judged to be worth taking if only because the US view is that arms control and espionage are on two separate tracks.

And so out went the 25, coupled with a US warning that any Soviet reprisal would be met in kind. The Soviets retaliated, and on Monday President Reagan met his closest advisers, including Mr William Casey, the head of the CIA, and Mr Edwin Meese, the Justice Minister.

The response was surprisingly tough. The US took two decisions: matching the expulsion of five American diplomats, but also ousting 50 diplomats in Washington and San Francisco and declaring new ceilings for Soviet representation in the US.

According to officials who briefed journalists this week, the move "decapitated" Soviet intelligence operations in the US. "This is the end of an era," one official said, describing the 50 diplomats as full-time spies working either for the KGB for the GRU, the two intelligence-gathering networks of the Soviet Union.

The expulsions set a new level for Soviet representation in the US of 251 diplomats, equivalent to American representation in the Soviet Union. But it excluded the Soviet (and Ukrainian and Byelorussian) diplomatic missions at the UN. Under a separate order, the US has told Moscow that it must reduce that number from 275 to 170 over two years to April 1988.

The latest Soviet move, however, appears to have caught the Reagan Administration off guard. The Soviet order on Wednesday declaring five American diplomats persona non grata (which allows them to be replaced) was compounded by the withdrawal of 260 Soviet personnel working at the US embassy in Moscow and Leningrad consulate.

This presents Washington with a dilemma. There is no comparable arrangement whereby Americans serve as cooks, maids, mechanics, drivers and carpenters in the Soviet diplomatic missions in the US. Strict retaliation is therefore difficult to forsee, even though the US missions in Moscow and Leningrad have clearly been damaged by the latest move.

US ADOPTS LOW-KEY RESPONSE TO LATEST MOVE

THE US drew back from further diplomatic expulsions in the superpower "tit-for-tat" spying row yesterday and appeared to call a truce over the affair.

Mr Charles Redman, chief State Department spokesman, said: "We hope this set of issues can now be put behind us." Future representation would be based on parity.

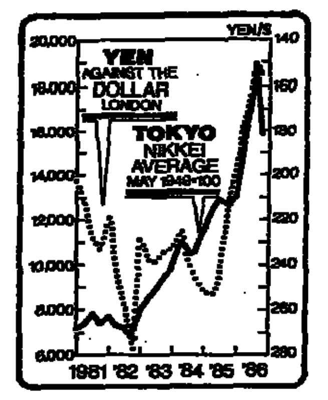
Soviet citizens can no longer be employed by US missions, with the result that 260 workers will be lost to the US embassy in Moscow.

The difficulties Washington is facing in matching this retaliation were underlined by Mr Redman's admission that only ten US workers were employed at Soviet missions in Washington and San Francisco.

Mr Redman said the withdrawal of Soviet personnel employed at the US diplomatic missions in the Soviet Union would cause "fairly substantial changes in staffing patterns" and predicted some change in the US's ability to monitor what goes on in the Soviet Union.

THE LEX COLUMN

The Emperor's new coins



Tokyo has not been most the restful of markets these past nine days, but yesterday's session must have added years and grey manes to the young lions of the brokerage houses. An early drop of 200 points in the Nikkei average was converted by the end of the day to a 490 point gain, a swing of nearly 3 per cent in the market's capitalisation; and the demand continued in London and New York. Shift of sentiment or dead-cat bounce?

The best non-technical explanation for the recovery – the weakening of the yen – is not at all straightforward. If a fall in the yen/dollar rate of almost 3 yen by the London close was worth a shove on the exporters, which have risen as much sometimes as a third this month, it is at the cost of one more hole in the weight-of-money argument.

Foreign disinvestment continues space and domestic houses are piling into US bonds. Only the greatest fan of Japanese industrial managements would hold that the eight weeks of currency stability have permitted the necessary adjustments in their trading strategies.

The overseas investment community long ago recognised that the Japanese value shares rather highly, like pots, pictures of flowers and golf club membership. But for all the evident stock-selection by the market – remember those companies with no earnings but some waterfront property – the market was sustained from mid-summer by an awful lot of hot money from private investors.

The bull margin overhang from those retail investors stuffed by their brokers with high-capitalisation stocks since mid-summer is a record, like everything else in this market. The sale of NTT, gold coins, construction bonds, railway land and the like will be an even greater burden on institutional funds this quarter, and for those who look at charts, the market is still shy of its 200-day moving average.

Eurotunnel

The long run volatility of an investment in Eurotunnel being so great – most capital projects are assessed these days on a three year pay-back rather than their internal rate of return over 55 years – Eurotunnel's stock will have to be placed today on a gambler's hunch. For those institutions that are prepared to plunge into a zero-coupon investment over the seven or so years of construction, Eurotunnel equity offers a maximum both of risk and reward. Forget about receiving the dividend stream, the argument goes, and concentrate on the rising capital value of the stock as the onset of dividends grows closer.

On the assumption that the tunnel is successfully constructed and the equity is not wiped out by inflation or construction overruns, initial investors could then hope to sell out at a price which reflects the relative certainty of indexed utility dividends over the following 48 years. For risk takers, but for them only.

Sterling policy

Yesterday's UK trade figures capped a week of announcements and speeches which has done much to undermine the residual credibility of UK monetary policy.

The markets simply refuse to trust the authorities' ability to keep to the middle course – neither too tight nor too lax – without some verification procedure.

The gilt-edged market is not inclined readily to accept the official abandonment of sterling M3. Sterling M3 has been a poor thing, but when there is no exchange rate target and interest rates can apparently be raised when Mo is in mid-range, monetary analysts no longer know what to keep their eye on.

Moreover, the official description of August's trade deficit as "Freakish" carried a clear – but quite misleading – implication that September's figure would be very much less bad. Any foreign exchange dealer who bought sterling last week in response to the Chancellor's cheeriness would be feeling cheated now.

The worrying numbers in the trade statistics are those for volume growth in the third quarter over the second: 8½ per cent for imports and only 2½ per cent for exports. Clearly consumer spending is bounding ahead while the slide down the exchange rate J-curve has not reached bottom yet.

The markets look set to test the Chancellor's resolve, with foreign exchange dealers now feeling safe to sell sterling and money market dealers pushing up yields. The discount houses may still be making fat margins on selling paper to the Bank of England at artificially low yields – for as long as the holding operation continues – but the chances of capital gain look slight. It seems a long time since June when Gerrard & National made its rights issue, confident that interest rates would continue to fall. The only legacy of that is the promise of a maintained dividend, kept yesterday at the interim stage.

Auto makers

It is only justice that the instigator of a price war should do the least well out of it. Third-quarter figures from the US auto makers, covering the period when General Motors launched its cheap rate car loans, suggest that GM has fared much the worst of the top three.

GM's sales gain was far exceeded by its rivals and while Ford's net income doubled, GM's halved. Chrysler's slipped by a quarter, a result which the chairman, curiously, regards as the best in the company's history.

Of course GM had realised that a sharp income fall is preferable to the continued financing of hugh stocks of unpopular models. But only the severe production cuts announced and a more enticing range will solve the problem.

If GM – rather than the others – still predicts what is good for America, then the problems of the US economy are by no means over just because a boom in car sales pushed third-quarter GNP growth to 2.4 per cent. The erosion of market share by imports may only temporarily have halted, and it may soon take an annuity with every car to reassert competitiveness.

Logica

Our mention in yesterday's Lex column of Logica's debt/equity ratio related to the position before its successful recapitalisation last year. We are sorry that this was not made clear.

Fermenta chairman hands in resignation

By Kevin Done in Stockholm

MR GOSTA BYSTEDT has resigned as chairman of Fermenta, the Swedish biotechnology and chemicals group. Only two days after Montedison, the Italian chemicals concern, decided to pull out of protracted takeover negotiations.

At the same time Mr Pär Skaantorp, chief executive of Kebo, part of the Investment AB Beijer group, also announced his resignation from the board, which has now lost three of its heaviest industrial names during the year.

Mr Ulf Widengren, chief executive of Astra, Sweden's leading pharmaceuticals group, resigned earlier this year.

In the wake of the upheaval of recent months and the collapse of the Montedison negotiations, both the Fermenta board and senior management are being drastically shaken up, but Mr Refaat El-Sayed, the company's main shareholder, is remaining as group chief executive and deputy chairman.

Procordia, the Swedish state holding company, has emerged as a new industrial partner for Fermenta and both Mr Soren Gyll, Procordia chief executive, and Mr Olle Enstam, deputy managing director, are to join the Fermenta board at an extraordinary shareholders' meeting sheduled for November 17.

Procordia revealed on Tuesday that it had secured options to allow it to increase its current 11 per cent stake to 43 per cent within the next year.

Yesterday Mr Enstam said that Procordia had signed a further non-binding "declaration of good faith" under which Mr El-Sayed would do "his best to accomodate," Procordia, if it wished later to increase its stake beyond 50 per cent.

Mr Ove Sundberg, currently Fermenta managing director, has taken over as chairman, but this move could well prove a temporary expedient pending the appointment of a new chairman in November.

Mr Sundberg, formerly managing director of Kemanobel, the Swedish chemicals group, was drafted in from the Fermenta board as an emergency managing director in February this year, when confidence in Mr El-Sayed's management was punctured by his admission that he had lied to investors over his academic qualifications.

Mr Sune Dahlberg, the 66-year-old managing director of Fermenta's US animal health subsidiary, has been appointed managing director of the Fermenta group to replace Mr Sundberg.

Mr Bystedt, who has served as Fermenta chairman since it was launched on the stock exchange in the summer of 1984, is also executive deputy chairman of Electrolux, the Swedish household appliances maker.

Yesterday Mr Bystedt said he was resigning in order to devote more time to Electrolux.

Sterling unsettled as Britain records £877m trade gap

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

BRITAIN'S trade remained firmly in the red last month pushing up the cumulative deficit so far this year to over £6bn ($8.6bn), and strengthening the possibility that 1986 could see the first current account deficit for seven years.

The Department of Trade and Industry said yesterday that there was a visible trade gap of £877m in September, despite some improvement in Britain's export performance. Invisible transactions such as tourism and insurance are estimated to have yielded a £600m surplus, leaving a shortfall of £277m on the current account of the balance of payments.

News of the trade deficit, which was higher than most expectations in financial circles, unsettled sterling, which lost ground both against a generally stronger dollar and against European currencies.

Financial markets were also uneasy over the Bank of England's suggestion on Wednesday that it may drop its formal target for sterling M3, the broad money supply measure. In those circumstances, most City of London economists believe that the outlook for interest rates remains uncertain.

The Government indicated that it was encouraged by the stronger export performance last month, which was the main factor in reducing the trade deficit from the record £1.5bn seen in August.

Mr Nigel Lawson, the Chancellor of the Exchequer has indicated that he believes that the sharp depreciation of sterling this year will lead to a recovery in non-oil exports which will eventually make up for the slump in overseas earnings from North Sea oil.

The worsening trade position, however, attracted strong criticism from opposition parties. Mr John Smith, Labour's shadow trade and industry spokesman, blamed it on the Conservatives mishandling of the economy. A £4bn deficit in trade in manufactures so far this year contrasted with the £4bn surplus left by the Labour Party at the end of the 1970s, he said.

While exports picked up in September the pace of growth is still lagging far behind that of imports. The volume of imports in the third quarter of this year, excluding oil and erratic items, was 11 per cent higher than in the same 1985 period. That compares with a 5½ per cent rise in exports.

The import boom is being fuelled by the rapid pace of earnings growth in Britain and by a boom in consumer credit. That, coupled with the collapse of oil prices, has led most independent economists to predict that Britain will face a sizeable current account deficit in 1987, and that a small shortfall is possible this year.

In the nine months to September the current account showed a £309m deficit, compared with a £3bn surplus over the same period in 1985. The last time there was a current account deficit was in 1979, before the build-up of North Sea oil production.

On foreign exchange markets the announcement of the figures brought a sharp fall in sterling's value from highs earlier in the day. The sterling index closed at 67.5, down 0.3 points from its high point

UK retail spending at record, Page 8

EEC warned of Ecu 6.5bn loss on sale of surplus food stocks

BY QUENTIN PEEL IN STRASBOURG

SURPLUS FOODSTOCKS in the EEC are now worth less than half their book value of Ecu 12bn ($12.5bn), and large-scale disposal cannot possibly be financed within the regular Community budget.

The potential loss on the open market could total Ecu 6.5bn, Mr Frans Andriessen, the EEC Farm Commissioner, told members of the European Parliament in a thoroughly gloomy assessment of the costs and prospects of the Community's Common Agricultural Policy (CAP).

"Whatever solution you choose, you are going to have to swallow some negative effects for the farmers," he told the MEPs at the end of a wide-ranging debate over the EEC budget crisis and how to dispose of the farm surplus.

Members of the Parliament were presented with figures for current foodstocks in state-financed intervention stores totalling 16.4m tonnes of cereals, 1.38m tonnes of butter, 1.07m tonnes of skimmed milk powder, and 590,000 tonnes of beef.

There was widespread support in the assembly for a new plan to set up a special fund for stock disposal, financed directly by 10 of the 12 member states – excluding the new members, Spain and Portugal – and contributed over and above the regular Community budget.

"We do not have enough money for a large-scale stock disposal," Mr Andriessen said. "The stocks are too big. To do this, you would have to look outside the confines of the normal budget." He cited a figure of more than Ecu 12bn for the book value of the EEC food surplus – the amount of money which the member states can claim back from Brussels when the stocks are sold.

EEC FOOD MOUNTAINS

	Tonnes (m)
Cereals	16.4
Butter	1.38
Milk powder	1.07
Beef	0.59

He said normal stocks should only total Ecu 2.5bn, and the market value of the remainder was only Ecu 3bn, leaving a potential loss of Ecu 5.5bn.

However, some MEPs challenged the realism of even that depreciation, given the actual effect on marketprices of such a massive sales programme.

"It is not realistic to think that there are markets to which we can sell them," said Mr Peter Price, a British Conservative Member.

Mr Andriessen admitted that prospects for international agreement on co-ordinated production cuts were very slim. He also rejected the option of unilaterally cutting EEC prices to world market levels. "We are not going to be the ones to take the initiative, slavishly to follow world price trends," he said, in an apparent criticism of US farm export strategy.

Mrs Magdalene Hoff, a West German Social Democrat, presented a report calling for EEC farm prices to be brought in line with market prices, and for producers to share the sales risk of commodities in surplus.

She said that "immediate and substantial losses" would be acceptable, if it meant that greater spending was avoided in the long term. But she also insisted that large amounts of finance for stock disposal could be justified only "if there are lasting reductions in stocks."

The second major report, drafted by Mr Enrique Baron Crespo, a Spanish Socialist MEP, proposed the special stock disposal fund, as well as plans for extra long-term financing for the EEC budget to come from higher VAT contributions, and a Community share in national petrol or energy taxes.

The stock disposal fund has attracted widespread support in the Parliament, although it would almost certainly be seen by rival agricultural exporters, like the US, Australia and Canada, as a "war chest" for subsidising farm exports.

Socialist and communist members are proposing to write the stock disposal fund into the Parliament's budget draft for the coming year – the one area in which the assembly has shared power with the member states in the EEC Council of Ministers.

An alternative proposal has been put forward by Mr David Curry, the British Conservative rapporteur, on the 1987 budget, to pay member states their share of farm spending in arrears instead of an advance.

Attempt to defuse Belgian crisis

By Tim Dickson in Brussels

BELGIUM'S centre-right coalition Government yesterday called for a "period of reflection" to ease the country's increasingly bitter political crisis.

Mr Joseph Michel, the new Interior Minister, told Parliament that the language dispute which has dominated events in the last few weeks "had led to a general desire for peace and a return to calm" to which the Government was anxious to respond.

Mr Michel's carefully worded statement – which was aimed at distancing the Government as far as possible from the immediate problem – had been agreed by the cabinet and appeared last night to have won at least a few days of badly needed breathing space.

Members of the Socialist opposition repeatedly attempted during yesterday's debate to expose divisions within the Flemish and French speaking wings of the country's coalition partners, but contrary to some expectations, declined to call a "no vote."

Observers in Brussels pointed out that there would automatically be a vote on the issue next week but that a clear majority appeared to be in favour of the Government's "softly, softly" approach.

The crisis was sparked late last month after a Francophone mayor, Mr Jose Happart, was sacked by Belgium's Council of State for refusing to learn the local official language Flemish.

The case was subsequently referred to the Cour de Cassation (or Supreme Court) and took a new twist when Mr Happart was elected First Alderman of the area, in which position he is once again "de facto" mayor.

Many Belgians have been in despair that the long standing frictions between Flanders in the north and Wallonia in the south should be threatening what many see as the Government's more important economic and social reforms.

Japanese car sales boost

Continued from Page 1

this warning had had no effect on registrations by the end of September.

In September alone, Japanese car sales in the 17 European markets rose by more than 19 per cent compared with the same month of 1985 to 118,000. Their share rose from 12.8 per cent to 13.7 per cent.

Meanwhile, since West Germany's Volkswagen-Audi group acquired Seat from the Spanish Government this summer, it has clear leadership of the West European car market, with a nine-month share up from 14.2 per cent to 14.4 per cent.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	22	72	Dubrovnik	C	21	70	Malta	F	25	77	Rhodes	C	23	73
Algiers	S	29	84	Edinburgh	S	7	45	Manchester	F	9	48	Rio de J'o	R	34	93
Amsterdam	R	9	48	Faro	C	20	68	Manila	F	31	88	Rome	F	23	73
Athens	S	23	73	Florence	C	23	73	Melbourne	F	14	57	Salzburg	R	9	48
Bahrain	S	32	90	Frankfurt	F	9	48	Mexico City	F	23	73	San Francisco	C	12	54
Bangkok	R	30	86	Funchal	C	21	70	Miami	S	24	75	Seoul	S	15	59
Barcelona	–	–	–	Geneva	F	12	54	Milan	C	17	63	Singapore	F	28	82
Beirut	–	–	–	Gibraltar	F	22	72	Montreal	F	15	59	Stockholm	C	4	39
Belfast	S	7	45	Glasgow	–	–	–	Moscow	C	10	50	Strasbourg	C	9	48
Belgrade	S	26	79	Guernsey	–	–	–	Munich	C	10	50	Sydney	S	21	70
Berlin	F	10	50	Helsinki	C	4	39	Nairobi	C	23	73	Taipei	F	26	79
Biarritz	–	–	–	H. Kong	F	26	79	Naples	F	23	73	Tangier	C	21	70
Bombay	S	35	95	Innsbruck	C	11	52	Nassau	F	28	82	Tel Aviv	F	26	79
Bordeaux	–	–	–	Inverness	S	5	41	New Delhi	S	28	82	Tenerife	–	–	–
Brussels	F	9	48	Islamabad	S	30	86	New York	C	15	59	Tokyo	S	17	63
Budapest	R	14	57	Istanbul	S	18	66	Nice	–	–	–	Toronto	C	15	59
B. Aires	F	17	63	Jakarta	R	30	86	Nicosia	F	26	79	Tunis	S	27	81
Cairo	F	28	82	Jersey	F	13	55	Oporto	F	18	64	Valencia	D	20	68
Cape Town	C	18	64	Jo'burg	F	25	77	Oslo	S	4	39	Venice	C	15	59
Caracas	R	27	81	Lima	C	19	66	Paris	C	17	63	Vienna	R	12	54
Casablanca	C	22	72	Lisbon	D	18	64	Peking	S	14	57	Warsaw	C	11	52
Chicago	C	13	55	London	C	11	52	Prague	F	10	50	Washington	F	12	54
Cologne	F	10	50	Los Angeles	C	17	63	Reykjavik	F	-1	30	Zurich	F	10	50
Copenhagen	F	9	48	Luxembourg	C	6	43								
Corfu	F	23	73	Madrid	F	16	61								
Dallas	C	19	66	Majorca	S	22	72								
Dublin	F	10	50	Malaga	F	24	75								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Ford boosts earnings to $693m

Continued from Page 1

est in Starnet added $102m to the net figure.

Sales for the quarter surged 24 per cent to $14.4bn, and unit sales increased by 8 per cent to $1.34m. Last year, sales and profits were depressed by extensive model changes which have paid off handsomely this year.

Ford's Sable and Mercury Taurus have turned out to be its best selling models since the Ford Mustang in the mid-1960s, which was the brainchild of Mr Iacocca.

Demand for the Sable and Taurus, which have been greeted enthusiastically by consumers and motoring journalist alike, is outstripping supply. Sales are running at the rate of about 273,000 units a year. Ford has also benefited from its strong showing in the light truck and van sector, in which it claims a market share of almost 30 per cent.

HOW DETROIT'S BIG THREE COMPARE

	Third quarter		Nine months	
SALES $bn	86	85	86	85
GM	22.8	22.5	77.3	71.7
Ford	14.4	11.6	46.5	38.7
Chrysler	5.2	4.5	16.6	15.9
PROFITS 1985	($m)		($bn)	
GM	264	517	2.3	2.7
Ford	693	313	2.5	1.8
Chrysler	235	316	1.1	1.4

The group has made substantial cost savings by reducing its production capacity and buying more parts from outside suppliers.

As a result, Ford earned $607m in after-tax profit in the US, $396m more than in the 1985 quarter.

Outside the US, however, earnings fell to $86m from $102m, reflecting a bad performance by the Asia-Pacific area, which has been hit by the strength of the Yen against the US and Australian dollars. The decline in this sector more than offset the better results in Europe.

For the nine months, the group earned $2.5m or $9.33 a share on sales of $46.45bn, compared with the previous $1.8bn or $6.45 on sales of $38.68bn.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday October 24 1986

Chrysler earnings fall in quarter

By Our New York Staff

CHRYSLER, the third largest US car maker, is well down in third-quarter net earnings despite record sales of $5.2bn. But Mr Lee Iacocca, chairman, described the result as "the second best third-quarter in our history."

The group earned $234.9m, or $1.60 a share, for the quarter, compared with $316.2m, or $1.83, on sales of $4.46bn last time. At the operating level, it earned $347.1m before tax, against $451.8m.

Mr Iacocca said Chrysler had held 1986 prices, matched or bettered its competition in the incentive wars that have raged in the US industry, and continued to invest heavily in plant and new products.

"The bottom line of the third quarter is further proof that Chrysler can go toe-to-toe with the toughest competition in the history of this industry and still earn solid profits," he said.

During the quarter, Chrysler lifted its worldwide factory sales by 6.4 per cent to 502,352 units. Its share of the US retail market rose to 12.2 per cent form 10.9 per cent, and the group had its best-ever September sales figures.

Standard Oil 85% lower as price of Alaskan supply falls

BY OUR NEW YORK STAFF

STANDARD OIL, BP's US affiliate, yesterday reported an 85 per cent fall in third-quarter net income to $52m, reflecting the 60 per cent drop in the price of Alaskan oil, its main source of supply, during the past 12 months.

The company, which took substantial write-offs earlier this year to reflect the impact of lower oil prices, earned 22 cents a share in the latest three months, but announced that it was maintaining its 70 cents a share quarterly dividend.

The latest quarter's results, which compares with net income of $346m in the third quarter of last year, has cut Standard's nine-month loss to $376m, or $1.60 a share. In the same period last year the group earned $1.08bn, or $4.60 a share. Standard Oil's shares fell $¼ to $46½ in early trading yesterday.

Mr Robert Horton, brought in from BP earlier this year to head Standard Oil, said yesterday that Alaskan crude oil sales had averaged $10.65 a barrel for the company in the third quarter, compared with $26.45 a barrel in the same period last year. "As expected, this has severely affected our results," he said.

Mr Horton noted that the group's Alaskan oil was selling for $12-$13 a barrel and this factor, together with the effect of the earlier streamlining moves, should improve Standard's future results. Third-quarter revenue fell $1.2bn to $2.2bn.

In the first nine months of the year Standard Oil cut its capital spending by $1.4bn. Mr Horton said the group expected to spend $1.9bn for the full year compared with $2.8bn in 1985. The reduction was "indicative of our resolve to deal realistically with today's environment and our expectations of the near future," Mr Horton said.

Standard's exploration and production operations lost $7m in the latest quarter compared with profits of $758m a year ago. Refining and marketing operations, in contrast, boosted their contribution from $91m to $174m. The previous year's $8m loss on Standard's coal business has been eliminated and metal mining has turned round from $36m of losses to a $14m profit.

Standard's chemical operations reported a $6m drop in profits to $9m, but the group's industrial products operations reported that profits jumped from $6m to $24m.

Du Pont up despite reduced sales

By David Blackwell in New York

DUPONT, the largest US chemicals group, has lifted third-quarter net earnings 25 per cent in spite of a 12 per cent fall in sales, which it blamed on lower oil prices.

Mr Richard Heckert, chairman, described the outcome of $343m, or $1.42 a share as "encouraging".

"Most of our chemical and specialty products businesses posted strong results, reflecting our improving cost structure and strength overseas," he said. "In the petroleum sector, strong performance in refining and marketing helped mitigate the impact of sharply lower crude oil and domestic natural gas prices."

The latest earnings figure includes $21m from non-recurring items. In the 1985 quarter Du Pont earned $275m, or $1.13 a share, including a non-recurring charge of $72m.

Sales for the quarter were down from $7.3bn to $6.39bn. They fell from $21.86bn to $20.4bn for the nine months when the group earned $1.2bn or $4.97 a share, against $741m, or $3.05 a share, previously.

The group's chemical and specialty products business lifted, after tax operating income, 65 per cent for the quarter, with the most significant increases coming from the fibres, agricultural and industrial chemicals, and polymer products sectors. Improved demand and the weaker dollar also helped.

But the energy businesses reported a 70 per cent decline in after-tax operating income, reflecting sharply lower results from the oil exploration and production sector. Earnings from the oil marketing and refining sector equalled the strong performance last year, the group said.

Mr Heckert expected that low oil prices would continue to hurt the group's energy businesses. But he said the chemicals and specialty products businesses should benefit from somewhat higher world-wide sales and continued improvement in margins achieved through lower costs.

Celanese, a diversified chemicals group, pushed third quarter earnings to a record $50m, or $4.37 a share, compared with last time's $47m or $3.73. Sales, however, fell from $758m to $693m.

Mr John Macomber, chairman and chief executive officer, said the combination of good demand in many of the group's businesses and a commitment to cost control and quality helped maintain operating income at a high level. He said the group benefitted from a good performance in chemicals and continued strength of its worldwide engineering resins sector.

For the nine months Celanese earned $156m, or $13.09 a share, on sales of $2.18bn, against $128m, or $9.63 a share on sales of $2.29bn last time.

Norsk Hydro hit by loss in fertiliser division

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

NORSK HYDRO, the Norwegian energy, chemicals and metals group, suffered a severe drop in profits in the third quarter and plunged into loss in its fertiliser and petrochemicals operations.

Group net profits amounted to only NKr 7m ($960,000) in the third quarter compared with a net profit of NKr 426m in the corresponding period last year. Pre-tax profits for the third quarter fell to NKr 165m from NKr 1.08bn a year earlier.

The group said its agriculture operations were hit by the "unusually weak international fertiliser market," and the division slumped to a loss of NKr 99m in the third quarter compared with a profit of NKr 249m a year earlier.

Norsk Hydro has rapidly expanded its fertiliser operations and is now the biggest producer in Europe following big acquisitions in France and West Germany, but it is being forced to rationalise its activities to cope with the steep drop in profitability.

It said yesterday that West European markets had been hit by imports "akin to dumping," as well as weak demand and unsatisfactory prices.

Hydro said it was planning to close one of its fertiliser production plants in West Germany at Langelsheim, and it has already closed down sulphuric and phosphoric acid production at Immingham in the UK.

For the first nine months of the year group pre-tax profits slumped to NKr 1.49bn from NKr 4.8bn a year earlier, while group turnover rose 33 per cent to more than NKr 37bn.

Profits from the group's oil and gas operations in the first nine months have more than halved to NKr 1.59bn from NKr 3.22bn a year earlier.

Hydro has cut back exploration and is seeking to delay investments to adjust operations to lower oil prices. It has made a provision of NKr 75m for cancellation and laying-up costs for drilling platforms, and has cut the number of exploration drilling rigs from four to one.

Hydro has decided to press ahead with the NKr 2bn construction of a new 60,000 tonnes-a-year magnesium plant in Canada to begin output in 1989. It has also become one of the biggest primary aluminium producers in Europe through the acquisition of a 70 per cent stake in Aardal Og Sunndal, a rival Norwegian producer.

Hydro said that its profits for the fourth quarter would also be below last year's level even though lower costs for oil and gas and other raw materials would have a positive impact on the fertiliser operations.

Fiat set to block Ford bid for Alfa

By John Wyles in Rome

THE FIAT group is expected to produce today its long-awaited bid to beat off an attempt by Ford to take over Italy's struggling Alfa Romeo car company

Anxious to block the entry into its domestic market of the US number two, the Turin group will propose taking an immediate 51 per cent stake in Alfa. It is expected to promise a high level of investment to modernise the state-controlled company's two production plants and to give undertakings on job security for Alfa's 28,500 workers.

Fiat is also likely to follow up with a determined low profile political lobbying campaign in favour of a "national solution" for Alfa.

Ford's proposals, believed to be based on an initial stake of around 20 per cent leading to majority control in three years, were tabled three weeks ago. Initial judgments on the rival bids will be made by the state holding company IRI-Finmeccanica whose recommendations will then be passed on to the government for final decision by November 7.

Although details of Ford's proposals have been kept secret, the US company is under no illusions that Fiat has learned enough to attack any weaknesses. If industrial and financial, rather than political, factors determine the final choice, then the rival proposals will be closely scrutinised for their capacity to develop new models and markets for the Alfa marque.

In addition, how the two companies propose to share with IRI the funding of Alfa's losses – expected to be around L200bn ($145.6m) this year – and repayment of its debts could loom large.

However, the political preferences of the five parties in the coalition Government and of the trade unions – all apparently favouring Fiat – could be decisive, particularly if the two sets of proposals are broadly equivalent.

UBS sees continued progress

BY WILLIAM DULLFORCE IN GENEVA

UNION Bank of Switzerland (UBS), yesterday predicted that it would close its 1986 account with a "gratifying" result.

Income had shown a mixed pattern in the third quarter, UBS said. Earnings on interest operations had stagnated under the influence of narrow margins and a further decline in the dollar exchange rate.

Results from its securities business had not fully matched the record figures achieved in the first half, but the previous quarter's good outcome on foreign exchange business had been exceeded. Overall expenses had been kept within budget limits.

Last year UBS net earnings climbed 18.4 per cent to SFr 692m ($427m) and the dividend was raised from 23 per cent to 24 per cent. In April this year Dr Nikolaus Senn, chairman of the executive board, predicted another good result in 1986 but pointed out that costs would be about SFr 200m higher.

During the third quarter UBS total assets rose SFr 2.1bn, or 1.5 per cent, to SFr 146.3bn. The increase for the first nine months was SFr 6.9bn, or 4.9 per cent.

The balance sheet would have grown 12.2 per cent in the first nine months without the impact of the dollar rate and gold price fluctuations, UBS said. The increase in total assets in the third quarter derived primarily from money-market transactions.

Puerto Rico to sell hotels

By Canute James in Kingston

THE PUERTO RICO Industrial Development Company, a government-owned agency, wants to sell five of the six hotels it owns to save about $15m per year which it spends on maintaining the properties.

The sale of the properties is expected to give the company about $85m, according to representatives of the island's administration. The sale has yet to be approved by Mr Rafael Hernandez Colon, the governor of Puerto Rico, and by the island's cabinet.

Mr Rafael Ignacio, president of the company, said he wants to use the $15m per year which will be saved for industrial development, as the agency did not want to remain in the hotel business. The hotels are being operated under leases from the company.

BankAmerica finalises Argentine sell-offs

BY TIM COONE IN BUENOS AIRES

BANKAMERICA, the troubled US banking group, has finalised deals to sell off a third of its retail branches in Argentina, belonging to its local subsidiary Bank of America.

A total of 20 branches, mostly located in the capital and province of Buenos Aires, have been sold: 10 to Citibank, the local subsidiary of Citicorp and 10 to Banco de Boston, the local subsidiary of Boston Bank.

The two US-based buyers are the largest foreign banks in Argentina and together hold almost 30 per cent of the deposits of the foreign banks in the country. The purchases will further increase their local market share in the retail banking sector.

The deal with Boston Bank was worth "a little over $3m" according to a spokesman for Banco de Boston. Citibank has not disclosed the value of its own deal, but it is thought to be worth a similar sum.

At the end of August Mr Rodolfo Mon, vice president of Bank of America, said that half of his bank's 60 retail branches in Argentina were to be sold off as part of a rationalisation plan, to concentrate available resources on improving customer services through the expansion of the use of on-line terminals and the introduction of self service tills and credit cards.

Bank of America underwent a rapid expansion in retail banking in Argentina in the early 1980s, buying 61 branches throughout the country which gave it a larger presence than any other foreign bank.

Swiss watch group seeks to raise SFr 90m

By Our Financial Staff

SMH, Switzerland's largest watchmaking group which earlier this year reported a strong recovery in profits, plans to raise SFr 90m ($55.2m) through an issue of participation certificates.

The financing announcement was coupled yesterday with news of the group's first dividend payment since its formation in 1983 when creditor banks forced the merger of Asuag and SSIH, the two big loss-making Swiss watch companies.

SMH said it would pay a dividend of 5 per cent for 1986. The group, which ran up a loss of SFr 173m for 1983, made a profit of SFr 33.9m for 1984 and SFr 60.4m last year.

The recently appointed chairman, Mr Nicholas Hayek, said the participation certificates, to be launched in the next few days and fully entitled to a 1986 dividend, would be offered at SFr 380 each.

Holders of registered shares could buy one certificate for each SFr 100 nominal share, with proportionate treatment for holders of existing SFr 20 nominal shares.

The SMH group includes almost all the major names in Swiss watchmaking such as Swatch, Omega and Longines.

Mr Hayek took over as chairman in May this year.

Bell Canada heads for year-end downturn

BY ROBERT GIBBENS IN MONTREAL

BELL CANADA, which owns the Bell Canada telecommunications business in Eastern Canada and 80 non-regulated businesses, had higher third-quarter earnings but on a per share basis profit for all 1986 will be lower.

Third quarter earnings were C$262.8m ($190.4m) or $1.01 a share against C$240.4m or $1 per share a year earlier, on revenues of C$3.39bn against C$3.29bn. Nine-month earnings were C$737m or C$2.89 a share against C$748.5m or C$3.16 on revenues of C$10bn against C$9.6bn.

The results do not reflect the potential impact of a regulation decision reducing Bell Canada's allowable rate of return nor an expected year-end writedown by subsidiary TransCanada Pipe Lines on its oil and gas properties.

In the nine months, the Bell Canada utility contributed C$522m against C$502m while the contribution from Northern Telecom Ltd was C$117m against C$135m.

British Columbia Telephone had nine months' earnings of C$91.3m or C$1.73 a share, up from $72.8m or C$1.34 a year earlier on revenues of C$1.08bn against C$1.01bn.

Bull boosts recovery hopes

BY PAUL BETTS IN PARIS

BULL expects to report net consolidated earnings of at least FFr 220m ($33.9m) this year confirming the nationalised French computer group's recovery after a series of heavy losses.

Mr Francis Lorentz, Bull's managing director, told French financial analysts that he expected Bull "to double at least its net consolidated profits this year" from the FFr 110m profit it reported in 1985. Bull reported losses of FFr 489m in 1984 and of FFr 625m in 1983.

Mr Lorentz also indicated that Bull would be in a position to finance from its own funds two thirds of the cost of its part of the proposed information processing joint venture currently under negotiation between Bull, NEC and Honeywell. The remaining part of the financing would come from borrowings and new equity. Bull is among the French industrial groups targeted for privatisation by the conservative government.

Bull reported recently first-half net profits of FFr 144m compared with first half profits of FFr 38m last year. The company is planning investments of between FFr 17bn, and FFr 18bn for the period 1987–1990, Mr Lorentz indicated.

Lear Siegler plans defence against bid

By Our New York Staff

LEAR SIEGLER, the California-based conglomerate whose products range from Piper aircraft to Smith & Wesson handguns, has hired Drexel Burnham Lambert, the New York investment bank which finances many US corporate predators, to defend itself against an unwanted takeover bid.

The company, whose shares have risen sharply since the beginning of the month on takeover rumours, announced yesterday that it had retained Drexel Burnham Lambert "to advise the company in connection with a possible restructuring of the corporation and/or other measures designed to optimise shareholder values in the near-term."

Lear Siegler shares jumped sharply following the announcement and at one stage yesterday were trading $8½ higher at $75½ valuing the company at $1.37bn. The company declined to elaborate on its brief statement, but on Wall Steet analysts said that it was a natural target which had several strong businesses such as avionics, car seating and replacement windshields, which could easily be sold off.

Lear Siegler sales rose 4 per cent to $2.46bn in the year to the end of June but its net income fell 45 per cent to $55.5m, or $2.97 a share. This was mainly because of a $31m after-tax charge to increase the company's aircraft-production liability reserve.

The company's sales are split almost equally between three broad industry segments – aerospace, cars and commercial/industrial. However, almost half the operating segments come from car operations followed by commercial and aerospace.

Rivals link in publishing bid

BY PAUL BETTS IN PARIS

THE TAKEOVER battle for Presses de la Cité, the second largest French publishing group, took an unexpected turn yesterday with an agreement between the two rival bidders, including a partnership headed by Mr Carlo De Benedetti and Sir James Goldsmith's Générale Occidentale group.

Under the agreement, Cerus, the French holding company of Mr De Benedetti, and Pechelbronn, a holding company of Groupe Worms, have decided to drop their joint bid for control of the French publishing concern. This leaves the way clear for Sir James Goldsmith to pursue his bid to acquire 55 per cent of Presses de la Cité shares unless a new bidder decides to enter the fray.

The agreement between Cerus and Générale Occidentale is designed to form the new controlling shareholding of Presses de la Cité. Cerus and Pechelbronn have already accumulated 22.5 per cent of Presses de la Cité. They would thus become the second major shareholder with Générale Occidentale, if the group of Sir James succeeds with its share-swap bid worth about FFr 3170 a share. Cerus and Pechelbronn had offered a share-swap-plus-cash bid worth about FFr 2,950 a share.

But the agreement was widely seen in French financial circles last night as an attempt to dress up the probable sale by the Cerus-Pechelbronn partnership at some later date of its stake in Presses de la Cite. Cerus and Pechelbronn are likely to make a substantial capital gain from such a sale.

The rival groups said in a statement that they had decided jointly to contribute towards development of Presses de la Cité into a multimedia communication group. Sir James has already indicated he wants to develop a major presence in the new French deregulated television broadcasting market.

Reservations on the agreement with Générale Occidentale have emerged inside the Cerus-Pechelbronn partnership. These are expected to lead to new developments in the Presses de la Cité takeover battle.

The agreement is not in the general line of deals Mr De Benedetti likes to make. The Italian financier and entrepreneur usually seeks to gain management control of a group to direct its turn round and future development-agreement with Générale Occidentale, Mr De Benedetti would remain a minority partner.

Mr De Benedetti was attracted by Presses de la Cité because of the group's strong turn round potential. The publishing company reported yesterday first half net profits of FFr 54.4m ($8.38m) on sales of FFr 1.6bn compared with profits of FFr 41.5m on sales of FFr 1.5bn for the same period last year.

INTL. COMPANIES and FINANCE

UAB's recovery hopes hampered

Wong Sulong on problems facing Malaysia's sixth largest bank

BITTER PUBLIC recriminations between the board of United Asian Bank (UAB), Malaysia's sixth largest local bank, and its former chief executive have served to highlight its parlous state and could hamper efforts towards recovery. It is one illustration of the strains now evident in the Malaysian banking sector.

UAB suffered accumulated net losses of 111m ringgit (US$42.6m) for the two years to 1985. It is now seeking a two-for-one rights issue to raise 152m ringgit in order to restore its capital adequacy ratio demanded by the Malaysian authorities.

But shareholders' response is so poor that the bank will probably come under the control of Bank Negara, the central bank, which is underwriting the issue.

Three nationalised Indian banks—Indian Overseas Bank, United Commercial Bank and Indian Bank—own 33 per cent of UAB's equity, and are not expected to come up with the 51m ringgit for their rights entitlement.

In the latest controversy, Dato Ismail Bin Dato Abdullah, UAB's former chief executive, has publicly accused the present bank board of not safeguarding shareholders' interests.

Dato Ismail, who resigned in March after heading the bank for 3½ years, said he was being made a scapegoat for the bank's problems.

Specifically, he claimed that:

● The bank's losses and its huge portfolio of non-performing loans were incurred before his time when UAB was under the control of the three Indian "promoter" banks. Many loans were given to Indian-Malaysian joint ventures during the 1970s, and most of these ventures have since folded after incurring deficits.

● He took steps to set UAB on a sound footing, including recommending that the bank move into other financial services, but his proposals were often overruled by certain directors.

● Companies in which certain directors are alleged to have an interest had obtained large loans from the bank, in possible contravention of banking laws.

● The appointment to the UAB board of Mr Khoo Eng Choo, a senior partner of Price Waterhouse, the accounting firm, followed by the appointment of Price Waterhouse as management consultants was not desirable.

Although Mr Khoo is only a part-time director, he is in effect running the bank after Dato Ismail's resignation.

The UAB board has made a lengthy rebuttal of Dato Ismail's allegations. It said his tenure as chief executive had been unsatisfactory, and "his resignation was tendered as an alternative to a less flattering exit from the services of the bank."

The board said Mr Khoo's appointment was "in the nature of a public service for which he has not received and will not receive any payment."

Price Waterhouse was a firm highly experienced in the banking industry "and with or without Mr Khoo would have been a prime candidate for appointment" as consultants. The UAB board statement also disputed Ismail's claim that Dato Ismail had worked hard to recover the bad loans, adding the record did not show this.

Bankers say the public quarrel between Dato Ismail and the UAB board could further erode public confidence in the banking industry, which has been subject to numerous runs in recent months, and divert attention from efforts to save the bank.

An internal study last year disclosed that the bank has more than 500m ringgit in non-performing loans, out of total loans and advances of 1.79bn ringgit. Banking officials say the amount is now much higher because of the recession which the country has entered.

The bank is not expected to be profitable for at least two to three years, and its aim of getting a public listing (its shares are now unofficially traded) remains a distant prospect.

UAB was set up in 1973 through the merger of the Malaysian branches of the three Indian "promoter" banks which were nationalised by the New Delhi Government. Malaysian law does not allow foreign government-controlled banks to hold majority stakes in local banks.

In 1983, Maika Holdings, the investment arm of the Malaysian Indian Congress, a junior partner in the Malaysian Government, approached the Indian banks to buy their holdings. No price could be agreed, although Maika has since purchased about 10 per cent of UAB in the market.

If the Indian banks do not take up their rights—now extended by another month to November 15—their equity would be diluted to only 11 per cent in an enlarged paid-up capital of 228m shares of one ringgit each. Net tangible asset will be 72 cents per share after the rights.

Maika and the "promoter" banks would want UAB to remain an institution servicing the 1.5m-strong Malaysian Indian community, but it is almost certain the bank would have to be more "Malaysian" in outlook to survive.

Bank Negara was given powers to hold shares in ailing banks last October. It is the intention of the central bank to nurse ailing banks back to profitability, and later dispose of its holdings to new shareholders who it feels have the expertise and finance to manage the banks.

Fanuc's sales and profits dip in first half

By Our Tokyo Staff

FANUC, the world's largest maker of machine tool control systems, suffered a 39.6 per cent fall in pre-tax profits to Y19.13bn ($122.8m) in the first half to September, as lower sales were exacerbated by heavier depreciation costs for its plant and equipment investment.

Net profits fell 29 per cent to Y10.51bn, on turnover of Y66.36bn, down 26.6 per cent.

The weaker sales reflected sluggish capital investment by manufacturers and a higher level of inventories at machine tool makers.

Sales of industrial robots were halved owing mainly to a cut in capital investment by General Motors, Fanuc's partner in the US. Its dollar-denominated export contract with GM Fanuc was hit hard by the yen's appreciation.

Full-year pre-tax profits are projected at Y33.83bn, down 43 per cent, with net profits of Y17.51bn, down 37 per cent, on sales of Y126.38bn.

Hitachi down 55% at halfway

BY YOKO SHIBATA IN TOKYO

HITACHI, the Japanese electronics maker, yesterday reported a larger than expected setback in the first half to September with pre-tax profits down 55 per cent to Y45.64bn ($292.9m).

Net profits declined 47 per cent to Y26.54bn, on turnover which at Y1,494.24bn, was down 5 per cent.

The poor performance was blamed on negative effects from the yen's steep appreciation on Hitachi exports, and slow sales of consumer electronic products and semiconductors.

During the half year, total orders received fell 2 per cent to Y1,467.5bn, affected by the fall in export orders, in particular for semiconductors.

An exchange loss of Y32bn was attributed to the yen's appreciation.

For the year as a whole, Hitachi foresees a much improved export climate but weakening domestic demand.

The company is expected to incur an exchange loss of Y90bn for the full year, for which pre-tax profits are projected at Y92bn, down 42 per cent, with net profits of Y64bn, a drop of 27 per cent. Turnover is expected to emerge at Y2,900bn some 3 per cent below the previous year.

Capital outlay for plant and equipment will fall 40 per cent to Y100bn, but Hitachi is to increase its research and development budget to Y255bn to ensure long-term growth.

Four banks sue Abdullah Fouad

BY MICHAEL FIELD IN KUWAIT

FOUR BANKS in Bahrain have filed suits against Mr Abdullah Fouad, a well-known Saudi Arabian businessman, claiming repayment of loans of $35m. The banks, which are suing independently, are Standard Chartered, Citibank, Bank of America, and Bank of Bahrain and Kuwait.

Their action is unusual: it marks one of the first occasions on which banks have sued a major Saudi name, and it runs against the previously accepted wisdom that litigation in the Arabian oil states is too time-consuming and unrewarding to be worth the effort.

The banks say Mr Fouad has been paying neither principal nor interest for most of this year, and they are suing because they have not had what they consider to be proper discussions with him on rescheduling debt. The suit has been filed in Bahrain because the defendant is known to have property there.

Mr Fouad has a highly diversified business in the Saudi Eastern Province which has developed from work he did for the Arabian American Oil Company (Aramco) after the Second World War.

The Fouad group's total indebtedness to banks in Saudi Arabia and abroad is put at more than $100m.

Hang Lung stake placed

By Our Financial Staff

A STAKE of some 8.75 per cent in Hang Lung Development, a Hong Kong property company, has been sold in London and New York markets in a placing worth some HK$447.5m (US$57.4m).

A trust associated with Mr Ronnie Chan, a Hang Lung executive director, was said by brokers to have been the seller of the 50m shares, placed equally through the two Western markets. The price was HK$8.95 ex-dividend, against a closing market level yesterday of HK$9.50.

INTL. COMPANIES AND MARKETS

Armco clouded by special items

By Roderick Oram in New York

ARMCO, the fifth largest US steelmaker, has reported a further deterioration in performance with a net third-quarter loss, including special items, of $59m, or 89 cents a share, against a net profit of $78.2m, or $1.12 a year earlier. Sales fell to $633.2m from $727.6m.

The net loss for the ailing group in the nine months ended September was $506.6m or $7.53 a share compared with net profits of $26.2m or 30 cents a year earlier. Sales were $1.97bn against $2.27bn.

Results for both years were clouded by special items concerning Armco's restructuring efforts. With these stripped away, the company reported an operating loss of $12.3m in the latest quarter against an operating profit of $29m a year earlier. The year-to-date operating profit was $6.7m against $53.4m a year earlier.

Steel shipments in the three months ended September fell to 997,000 tons from 1.1m tons a year earlier, bringing year-to-date shipments to 3.13m against 3.35m.

Plant use slipped to 67 per cent in the quarter from 78 per cent a year earlier and to 80 per cent year-to-date from 83 per cent.

Special items in the latest quarter include a $21m charge for the group's insurance companies, mainly for increased loss reserves, and a $5.6m loss on the sale of Armco's interest in a Canadian joint venture.

A year ago extraordinary gains totalling $184.8m from the disposal of assets or income from discontinued operations were largely offset by the $110m cost of closing a steel plant.

The loss for the first nine months this year included $461.7m of extraordinary charges from the closure or disposal of assets.

Nokia 62% ahead after eight months

By Our Helsinki Correspondent

NOKIA, Finland's leading private sector group with interests in electronics, paper and rubber, has increased sales by 9 per cent for the first eight months of 1986 and registered a steep rise in profits.

Net sales reached FM 7.09bn ($1.45bn), while the group profit after net financial income rose 62 per cent to FM 182m.

Electronics, which account for 40 per cent of total sales, pushed up turnover for the period by 18 per cent to FM 2.88bn, whereas paper and chemical industry sales were down 5 per cent at FM 1.54bn. Engineering sales rose 5 per cent to FM 1.77bn.

According to Mr Kari Kairamo, Kokia's president, the group's sales were hampered by unexpectedly low increases in overall output and prices, as well as strikes.

Despite the substantial increase in profit for the period, he expects net profits for 1986 as a whole to remain at the same level as last year (FM 552m) due to the cloudy economic outlook for Finland.

Hughes Tool accepts Baker International bid

BY WILLIAM HALL IN NEW YORK

BAKER International, a leading US oilfield services company, is paying $458m to take over Hughes Tool, the world's biggest maker of drill bits and the foundation of the legendary fortune of the eccentric Mr Howard Hughes.

The move marks a major consolidation of the depressed international oilfield services industry which has been hit by the fall in oil prices during the past 12 months. Houston-based Hughes Tool lost $507m in the first nine months of 1986, and yesterday announced that it was omitting its much-reduced dividend, Baker International, which has also slashed its dividend, lost in the first three quarters of its current financial year.

Hughes Tool's weekly count of the number of operating drilling rigs is one of the most closely watched barometers of the health of the oil industry. The company has been trying to adjust to the changed oil industry environment which has seen the number of active drilling rigs drop from a peak of 4,350 at the end of 1981 to less than 700.

Hughes Tool gave no reason for the decision to accept the Baker International offer. However, Mr Ronald Turner of Baker International said that the combination of the two groups was a major move towards consolidating capacity and would create a company which would rank third in size behind Schlumberger and Halliburton.

Under the deal Baker and Hughes have agreed to combine the two companies under a new holding company Baker Hughes which will be based in Houston. Each outstanding share of Hughes common stock will be converted into 0.8 shares of Baker Hughes common stock and each share of Baker stock will be converted into one share of fthe new holding company.

Mr E. Hvak, 60-year-old chairman of Baker International, will become chairman of the board and Hughes Tool's chairman, Mr W. A. Kistler, will become vice chairman.

Mr J. D. Woods, aged 55, the president of Baker International, will become president and chief executive of Baker Hughes.

In a move to thwart unsolicited bids from third parties, Hughes and Baker have granted each other an option at market value to buy 18.5 per cent of the other's outstanding stock, has agreed to vote in favour of the consolidation.

Standard and Poor's the US credit rating agency, said yesterday that although the merger increased Baker's exposure to depressed oil services markets, the combined entity would hold dominant positions in several product areas, and would be in a strong competitive position in the smaller oil service industry that will emerge after the current shakeout.

"Weak and volatile oil prices are expected to keep the market for oil services and equipment soft for the next few years," according to Standard and Poor's.

Amoco takes $162m charge in wake of lower oil prices

BY OUR NEW YORK STAFF

AMOCO, one of the biggest and most successful US oil majors, has responded to the recent sharp drop in world oil prices by charging $162m to cover the fall in value of some of its oil properties.

Oil companies such as Texaco and Standard Oil have written down the value of some of their oil properties in the past. However, until recently, most US oil majors resisted making sizeable provisions because of the uncertainty over oil prices and the belief that prices would recover in the near term.

Yesterday's action by Amoco, however, could signal the start of a wave of write-offs by US oil majors to adjust their balance sheets to depressed oil prices. Mr Richard Morrow, Amoco's chief executive, said yesterday that the special charge, in addition to normal unproved property amortisation expenses, followed reassessment of the company's unproved acreage holdings in the light of changed economic conditions and outlook. Disappointing exploratory drilling results in certain high-cost areas were also a factor.

The company yesterday reported that it had earned $175m, or 68 cents a share in its third quarter before a one-time special charge of $162m to recognise impairment of unproved properties. After the charge, the company earned $13m, or 5 cents a share, in its latest quarter. A year ago it earned $490m, or $1.87 a share.

Amoco's revenues fell 38 per cent to $4.5bn in the latest three months. Nine month revenues were 28.5 per cent down at $15.4bn and net income has dropped by $981m to $582m, or $2.26 a share.

Leaving aside the special charge, the latest drop in earnings reflects the effects of sharply lower crude oil prices, reduced foreign oil production and lower domestic natural gas revenues. The group's refining and marketing operations increased their contribution by $31m to $133m and chemical earnings rose $9m to $63m.

Excluding the special charge, US exploration and production operations reported a $33m loss in the third quarter compared with a $218m profit last year. The decline was mainly due to lower crude oil prices and natural gas revenues.

Amoco's daily production of oil and natural gas liquids in the third quarter fell 45,000 barrels a day to 790,000 barrels a day and capital spending has been cut by 62 per cent to $502m.

Phillips Petroleum, the large integrated US oil and gas group, lifted net profit to $113m, or 47 cents a share, from $93m, or 38 cents. This took the nine-month total to $330m, or $1.08, up from $323m, or $1.06.

Revenue for the quarter was down at $2.2bn, from $3.9bn, bringing the total so far this year to $7.84bn, compared with $11.89bn last time.

Amerada Hess, the US oil group, lifted third-quarter net income to $41.9m or 49 cents from $36.4m or 43 cents despite a fall in revenue to $780m from $1.8bn.

For the nine months, however, there was a net loss of $277.8m or $3.29 a share, against a profit of $105.4m or $1.25 because of an undisclosed but substantial inventory write-down.

Flat earnings at General Dynamics

BY DAVID BLACKWELL IN NEW YORK

GENERAL DYNAMICS, the leading US defence contractor with products including F-16 fighter aircraft and Tomahawk cruise missiles, has reported flat third-quarter earnings of $100m, or $2.34 a share.

Revenues were ahead at $2.3bn for the quarter, against $2bn, and at the nine-month stage they advanced to $6.7bn from $5.9bn.

Earnings for the nine months retreated to $273.6m, or $6.41 a share, at the net level, from $292.9m or $6.92 last time. The 1985 figures included $10.8m from discontinued operations.

Mr Stanley Pace, chairman and chief executive, said that group operating earnings increased over the nine-month period, but the net declined because of interest costs.

Under the new US tax reforms, net earnings for the three and nine month periods will be reduced by $3.6m and $9.5m, respectively. The impact will be reflected in the fourth-quarter results.

Mr Pace said the seasonal upturn in the general aviation industry had improved the third quarter for Cessna Aircraft compared with the first half year. The company was continuing to take strong cost-cutting measures to cope with the prolonged recession in the light aircraft market.

At the end of the quarter General Dynamics had a funded backlog of orders worth $16.88bn, up from $15.3bn last time.

During the quarter the US Air Force awarded the Fort Worth division a $4.3bn four-year contract for 720 advanced F-16C/D aircraft. The group added that the land systems division had significantly increased production of the M1A1 battle tank in the quarter.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Haig Simonian reports on the background to the opening of the US Treasury bond link between SFE and Liffe

Futures exchange puts Sydney firmly on world financial map

WHEN Mr Les Hosking, the genial chief executive of Sydney Futures Exchange (SFE) and his colleagues have visited Chicago in the past year, they have received a more polite reception than representatives of a small and distant market might once have expected.

The extraordinary growth which has put the SFE firmly on the financial map in Australia in the past couple of years is beginning to spill over internationally.

Active trumpet blowing by Mr Hosking and Mr David Rutledge, the exchange's deputy chairman, has helped. Yet it is principally the exchange's domestic record which has given it the credibility to launch more ambitious international ventures, like yesterday's US Treasury bond link with the London International Financial Futures Exchange, (Liffe).

The SFE's transition from a pure commodities exchange—it was somewhat inelegantly known until 1982 as the Sydney Greasy Wool Futures Exchange—is not unusual. Where Sydney has scored is in the degree to which it has, through a mixture of luck and judgment, caught the wind of financial futures and deregulation in Australia. Not long ago exchange controls prevented Australian residents from holding speculative positions on offshore exchanges and likewise foreigners in Australia.

Since then the SFE has grown considerably to trade a daily average of 18,000 to 20,000 contracts and a one-day record of 36,000. Last year, the exchange's top three financial contracts (10-year Australian Treasury bonds, 90-day bank accepted bills and the All Ordinaries share price index, dating from 1984, 1979 and 1981 respectively) accounted for the lion's share of its total futures and options business.

Together, the three financial futures options helped the SFE more than double 1985 turnover to 1.24m contracts. By the end of September this year, that figure had reached 2.5m and the exchange is well placed to exceed its annual total of 3.3m contracts by year-end, according to Mr John Oliver, its chairman.

The exchange has done much by way of self-help to increase its liquidity. It moved in July 1984 from a fixed to a negotiable commission system bringing down average rates for wholesale users from A$60 per buy-and-sell order to around A$20-A$30. It has also endeavoured to reduce clearing and exchange fees.

"Local" membership was also introduced in 1984. Today there are 70 local traders and the number is rising, but they still account for only about 10 per cent of the exchange's membership, against 20 per cent at Liffe and up to 50 per cent on some US exchanges.

Increased liquidity on a futures exchange often leads to a virtuous circle of yet more business and to a potentially vicious one of spiralling membership fees. Success in Sydney's case is given an extra twist by the acute pressure of space on its tiny trading floor.

The exchange is engaged in talks to move into the old Royal Naval House which forms part of Sydney's prestigious Gloucester Place development. If the move takes place on schedule, by this time next year its trading floor will increase threefold. Meanwhile the crush, which is less obvious in the pits, than in the shortage of brokers' booths, is likely to get worse.

The cost of SFE floor membership has been rising sharply. The latest transaction is rumoured to have been at somewhere between A$600,000 and A$750,000, against about A$100,000 in 1981 and A$300,000 in 1985.

Sydney prices can be deceptive, however. Unlike on US exchanges and Liffe, there is no limit to the number of traders one floor membership can embrace.

The exchange recently saw a wave of new members, notably foreign banks which came in after the Australian Government opened the door to 16 newcomers in November 1985. On the broking side, Merrill Lynch, Shearson - Lehman Brothers and Bache are already present, and Salomon and Goldman Sachs are due to follow.

A bigger uestion hangs over the Japanese houses. There are domestic regulatory difficulties but the SFE says it has received a number of inquiries.

Japanese interest is likely to be all the greater if the SFE's fundable US Treasury bond and Eurodollar interest rate futures links with Liffe pay off. SRE officials reckon a potential hedge in the Asia-Pacific time-zone will appeal strongly to the Japanese, who are very substantial buyers of US Government debt in the physical market. "What we need to do is make Sydney 100 yards down the road for them," says one trader.

Yet many in Sydney are not blind to the possibility that their edge might vanish overnight should Japan's watchdog one day allow financial futures to be traded at home. The SFE is confident, however, that such an event is still some way off.

In the meantime it is Singapore's International Monetary Exchange (Simex) which presents the more immediate threat. Simex has traded Eurodollar futures for some time. On October 8 it launched a US T bond futures contract of its own which has achieved respectable volume levels.

Spokesmen for the SFE are hardly tongue tied when it comes to enumerating the advantages of Sydney. They point to factors such as language, position, good supervision and an established broking community.

They add that the SFE-Liffe link joins two independent but broadly comparable exchanges, a far cry from the position at Simex, which is still seen as an Asian outpost of the Chicago Mercantile Exchange, with which it trades a number of fungible contracts.

Yet some people in Sydney are more candid. They are confident the SFE has the edge with the US T bonds thanks to its time zone advantage and its cultural affinities with likely users in Europe and the US. But the Eurodollar is another matter. Singapore is already Asia's biggest physical Eurodollar market whereas interest in Australia is very limited.

SYDNEY Futures Exchange (SFE) yesterday began trading a US Treasury bond contract listed jointly with the London International Financial Futures Exchange (Liffe), Haig Simonian reports from Sydney.

The SFE-Liffe link, the latest in a series of international ventures between exchanges, is fully fungible, meaning investors will be able to open positions on one exchange and close them on the other. All sttlements will be made in London by the International Commodities Clearing house.

Trading in Sydney opened very briskly, with 571 contracts changing hands within 20 minutes of the 8 am start.

Mr Brian Williamson, the chairman of Liffe, said: "The SF Eand Liffe togther will be trading this important contract for 17 hours from the close of the American market to the opening the next day."

The first link between the two exchanges will be followed by a three-month Eurodollar interest rate futures contract on October 30.

Meanwhile, as part of its international expansion, the SFE will be offering investors fungible trading of the 100 troy ounces gold futures contract

Bankers welcome old-fashioned style for NZI issue

BY ALEXANDER NICOLL

MORGAN GUARANTY resuscitated an almost forgotten practice in the Eurobond market yesterday when it launched a $125m floating-rate note issue for a New Zealand company and gave potential co-managers until next Tuesday to commit themselves to the deal.

The issue is for a UK financing subsidiary of NZI Corporation, the largest insurance company in New Zealand but a little-known name among Eurobond investors.

Morgan said the long syndication period was designed to provide time to distribute the issue among as broad a group of co-managers and underwriters as possible, in order to raise the borrower's profile in the market. Potential participants would have time to find out about the borrower and take decisions accordingly.

Four co-lead managers have committed themselves to the deal, and Morgan is aiming to attract 25 to 30 co-managers and as many as 40 underwriters. The eight-year issue is to be priced at par with a coupon set 1/16 percentage points above six-month London interbank offered rates. No price will be made until the management group is formed.

Long syndication periods were the norm in the early years of the Eurobond market but long ago succumbed to intense competition in the marketplace as well as to more volatile interest rates.

Bankers viewed NZI's move as sensible given the current uncertain state of the FRN market, though it would naturally be more difficult to prolong syndication in the fixed-rate market because of the risk of interest rate fluctuations.

The market for New Zealand paper has also been made more uncertain by the rapid and unusual withdrawal on Wednesday of a Y40bn issue for the country launched the previous day. Morgan stressed, however, that this was not a factor in NZI's decision to lengthen the syndication period.

Elsewhere in the dollar market, Bertelsmann, the West German media group which is acquiring Doubleday of the US, made a $200m issue led by Commerzbank. The bonds have a seven-year maturity and were priced at par with an 8 per cent coupon, and traded initially at discounts to issue price smaller than the total commissions.

Yaohan Department Store made a $60m five-year issue with equity warrants led by New Japan Securities with an indicated coupon of 3¼ per cent and carrying the guarantee of the Long Term Credit Bank of Japan.

In Switzerland, Union Bank of Switzerland opted to participate in the SFr 250m tranche of a two-part deal launched on Wednesday by Swiss Bank Corporation for Australian's Bell Resources. The issue will therefore be publicly listed under a gentlemen's agreement between the big three Swiss banks which acquires two of them to take part for an issue to be public.

Both the Swiss and the $200m tranche were welcomed in the marketplace.

Credit Suisse brought a SFr 50m private placement for Toyo Suisan Kaisha, a convenience foods manufacturer. The 5¼ year convertible issue has an indicated coupon of 1¼ per cent and is priced at par.

Two other Japanese issues had their coupons increased. That on Sekisui Chemical's SFr 120m issue was raised from 1½ to 1¾ and on Sakata Shokai's SFr 30m from 2¼ to 2½. The yield on Kloeckner's SFr 75m issue was set as indicated.

Swiss bond prices were unchanged to slightly higher in light trading. In West Germany, foreign bond prices rose 1½ points with higher increases seen in places amid some bargain hunting and short covering.

In the Eurosterling market, BET's convertible issue which was increased from £60m to £65m also had its coupon cut to 6½ per cent from 6¾ and was assigned an 8.14 per cent conversion premium.

Austria's first schilling floating-rate note, launched by the Government yesterday, was quickly increased to Sch 2bn from Sch 1.5bn. Though fully underwritten by Austrian banks and to be listed in Vienna, the seven-year issue is targeted at the Euromarkets and will have an international placement group. It was priced at par with a coupon set ⅛ point above the newly-established Vienna interbank offered rate.

Another schilling-denominated issue is also being targeted abroad: a package of bonds and bearer participation certificates currently being marketed in Switzerland by Swiss Bank Corporation for Creditanstalt-Bankverein, Austria's largest bank.

This offering is technically a secondary placement of securities already launched on the Austrian domestic market. It comprises 150,000 bearer participations certificates, currently trading at Sch 2,000 to be priced next week, and Sch 300m of 6¼ per cent eight-year bonds priced at 110 and carrying warrants to buy a further 150,000 certificates.

£200m CD programme launched by Saitama Bank

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

SAITAMA BANK of Japan has followed up the recent $500m increase in its dollar certificate of deposit programme in the Euromarkets with the launch of a £200m operation in sterling.

Led by S. G. Warburg, the new sterling programme will be used to fund the loan book of the bank's London branch. Bankers say that Saitama is availing itself of an opportunity to tap short-term money which is readily available from investors disappointed by the lack of sizeable placement opportunities in the new sterling commercial paper market.

The CD formula was adopted because banks are not allowed to tap the sterling commercial paper market proper, though the paper is similar to sterling commercial paper as far as investors are concerned.

Other dealers in Saitama's programme will be Lloyds Merchant Bank and Samuel Montagu. First sales will take place early next month and the programme is expected to be heavily drawn.

Overseas units of Japan's banks to deal in CPs

BY YOKO SHIBATA IN TOKYO

THE JAPANESE Ministry of Finance has given permission to overseas securities offshoots of Japanese commercial banks and the long-term credit banks to deal in overseas commercial paper.

The ministry has judged that it would be unwise for Japanese banks to stay away from CP, the most competitive money market instrument, in view of the explosive growth of the Eurodollar and sterling CP markets

However, the ministry has not removed the ban on dealings in these markets by the Japanese banks' overseas branches, since it fears this could invite an argument for the introduction of a domestic CP market. Such a development has been vehemently opposed by the banks, which argue that recourse by borrowers to commercial paper threatens the very foundations of the Japanese financial system. Nonetheless, the banks intend to seek the Ministry's approval for their overseas branches to deal in the market.

Japanese banks have taken a cautious stance towards dealing in overseas CP, although increasing numbers of Japanese companies are making issues in foreign commercial paper markets in preference to bank borrowing. Since the beginning of this year, 16 financial subsidiaries have been established in the Netherlands by Japanese industrial corporations in order to issue Euro commercial paper.

The MoF's approval for Japanese banks' overseas subsidiaries to deal in overseas CPs results from the fact that several Japanese commercial banks have already obtained Bank of England licences for dealing in sterling commercial paper.

However, Japanese commercial banks are dissatisfied by the MoF's postponement of approval for commercial paper dealing by their overseas branches. The banks argue that their overseas securities offshoots have a limited sales capacity,

Dip in turnover of securities

TOTAL securities turnover in the third quarter of 1986 was $304.8bn, down from $314.8bn in the second quarter, reports Cedel, the international clearing organisation.

But turnover for the first nine months of the ear was $879.7bn, alread well above the $762.2bn record for all of 1985. Comparative figures for the third quarter were not available.

Reuter.

U.S. QUARTERLIES

EMHART
Machinery, hardware, chemicals

Third quarter	1986 $	1985 $
Revenue	472.8m	421.2m
Net profits	†171.2m	18.3m
Net per share	†12.30	0.66
Nine months		
Revenue	1.51bn	1.29bn
Net profits	†133.4m	60.4m
Net per share	†1.13	2.17

† Loss

HERSHEY FOODS
Confectionery

Third quarter	1986 $	1985 $
Revenue	596.4m	547.7m
Op. net profits	43.5m	38.5m
Op. net per share	0.46	0.42
Nine months		
Revenue	1.55bn	1.46bn
Op. net profits	96.1m	85.1m
Op. net per share	1.01	0.91

KNIGHT-RIDDER
Newspapers

Third quarter	1986 $	1985 $
Revenue	458.7m	403.2m
Net profits	31.5m	26.2m
Net per share	0.54	0.46
Nine months		
Revenue	1.39bn	1.27bn
Net profits	96.3m	91.9m
Net per share	1.66	1.49

PITNEY BOWES
Office equipment

Third quarter	1986 $	1985 $
Revenue	495.3m	443.2m
Op. net profits	38.9m	32.8m
Op. net per share	0.98	0.83
Nine months		
Revenue	1.42bn	1.30bn
Op. net profits	112.2m	93m
Op. net per share	2.83	2.35

SCOTT PAPER
Paper tissues, napkins and towels

Third quarter	1986 $	1985 $
Revenue	819.7m	765.6m
Net profits	38.2m	58.3m
Net per share	1.02	1.25
Nine months		
Revenue	2.5bn	2.2bn
Net profits	133.6m	151.5m
Net per share	3.56	3.21

TRANSWORLD
Contract food services

Third quarter	1986 $	1985 $
Revenue	676.9m	522.5m
Op. net profits	23.5m	30.8m
Op. net per share	0.46	0.53
Nine months		
Revenue	1.95bn	1.5bn
Op. net profits	54.4m	72.1m
Op. net per share	1.02	1.22

UNION PACIFIC
Energy, natural resources, railroad

Third quarter	1986 $	1985 $
Revenue	1.62bn	1.93bn
Op. net profits	142.2m	120.4m
Op. net per share	1.24	1.01
Nine months		
Revenue	5.05bn	5.86bn
Op. net profits	355.4m	359m
Op. net per share	3.07	3.05

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on October 23

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Express 7⅝ 93	100	96⅝	97⅛	+0⅛	+0⅛	8.23
Amoco Co. 9¼ 16	200	104	104½	+0¼	−0½	9.31
Australia Com. 11 95	200	113¾	113⅞	+0¼	−0¼	8.47
Australia Com. 11¼ 00	100	113¾	114¼	+0¼	+0¼	9.37
BP Capital 9½ 94	100	104¼	104¾	+0½	−0¼	8.27
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Ex. OS Cr. 0 91 A$	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bremer Ldsbk. 12¾ 91 A$	30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fiat Finance 14½ 89 A$	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 12⅞ 89 A$	40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK COMPANY NEWS

EXCO SALE CONTRIBUTES TO 43% DECLINE

Restructuring cuts B & C to £25m

BY CHARLES BATCHELOR

THE IMPACT of the restructuring that has been under way at British & Commonwealth Shipping for the past year showed in its interim figures, which revealed a 43 per cent decline in pre-tax profit from £44.2m to £25.4m.

The decline was largely the result of the sharp fall in the contribution of associated companies following the sale of the 21 per cent stake in Exco International, the money broking group, in November last year. In recent years associates have contributed more than subsidiaries to B & C profits.

If the figures were adjusted for the profits made from the sale of aircraft in the two first halves, profits earned from group activities, excluding associate companies, improved by some £6m, Lord Cayzer, the chairman, said.

Attributable profits from associates would continue at a reduced level in the second six months, he added. But with a new management structure Mr John Gunn was appointed chief executive last week — Lord Cayzer expressed confidence in B and C's ability to succeed.


Mr John Gunn, chief executive of B & C Shipping.

Turnover rose for the six months from £193.5m to £201.2m while operating profits fell from £18.1m to £12.8m. Excluding aircraft sales — worth £2.1m this time against £8.4m — there was a marginal improvement in operating profits, B and C said.

The inclusion of the results of Gartmore Investment Management, which came under full control in January, and of the improved results from shipping activities were largely offset by a decline in air transport.

The collapse in world oil prices reduced trading opportunities available to Bristow Helicopters, which for many years has been the principal contributor to operating profits.

Income from investments rose from £8m to £10.7m while interest payable fell from £7.3m to £4.3m. Associate companies contributed just £6.2m compared with £25.4m previously.

After tax of £9.3m (£17.2m) and minorities of £1.1m (£6.3m) profit before extraordinary items fell from £20.7m to £15m. Earnings per share fell from 11.6p to 7.3p. B & C plans to pay an interim dividend of 2.45p (2.2p).

A divisional breakdown of operating profit showed shipping, which was being phased out, moved from a loss of £1.1m to a profit of £700,000, air transport fell from a profit of £5.1m to £2.2m; aviation support services fell from £2.3m to £2.2m; hotels rose from £800,000 to £900,000; office equipment dropped from £2m to £1.5m and other activities rose from £800,000 to 3.2m.

● comment

The recent recovery in B and C's share price seems to be discounting every sort of future magic from Mr Gunn, so that these figures are neither here nor there — least of all from a company whose earnings progression has never been much of a guide to its asset growth. Thus, the halving of the contribution from Bristow Helicopters which troubled the market a little, does not disguise its traditional role as a useful generator of cash while the concealed surpluses in the aircraft fleet, property and investments uggest that there is good enough asset cover at yesterday's price of 301p, down 12p. The prospective price earnings ratio of 20 is obviously looking beyond the present transitional year but asset value is arguably still the better yardstick for what is a mixture of investment trust and venture capital fund. So long as the fund continues to back the likes of Mr Gunn and Mr Bristow, it should be an interesting investment.

Another top executive quits C. E. Heath

By Nick Bunker

C. E. Heath, the insurance broking group, has been hit by the resignation of another senior executive at a time when it faces a hostile £180m takeover bid from PWS Holdings, another Lloyd's broker.

It emerged yesterday that Mr Peter Methley, Heath's chief executive of insurance broking, resigned with immediate effect on Monday, the day that PWS launched its bid.

Mr Methley had held the post and had been a director on Heath's main board since January this year.

Earlier this year, some leading North American broking staff left C. E. Heath to join Stewart Wrightson, a rival company.

News of Mr Methley's departure was given to the Stock Exchange on Monday, C. E. Heath said. It has not appeared on the Exchange's TOPIC screen information system.

C. E. Heath said that Mr Methley's departure was connected with Heath's proposed merger with Fielding Insurance, a subsidiary of Hambros, the merchant banking group.

Mr Richard Fielding, Fielding's founder, is an experienced insurance broker and a former Heath employee. He is expected to return to Heath to head up its broking side.

Mr Anthony Wreford, a spokesman for C. E. Heath, last night that this had meant that "the writing was on the wall" for Mr Methley. last night that this had

Mr Methley had been with C. E. Heath only nine months, and was previously an executive director of Leslie and Godwin, the insurance broker, and had worked for Stewart Wrightson.

McKechnie boosts profits and rethinks on South Africa

BY DAVID GOODHART

McKechnie Brothers easily outperformed the forecast made during the last hostile bid for it and reported a 16 per cent rise in pre-tax profits to £19.05m and a nearly one-third increase in earnings per share to 21.3p in the year to July 31 1986.

The company, which said it should henceforth be known simply as McKechnie, also announced that it was joining the lengthening list of those "seriously considering" disinvesting from South Africa.

McKechnie has been steadily reducing its South African interests over recent years and in the year just reported South Africa represented eight per cent of earnings and 10 per cent of pre-tax profits.

It jointly owns, with a South African company called Haggie Ltd, the Macdem metals group and has a further 18 per cent stake in Consolidated Industrial Holdings, the tap-maker.

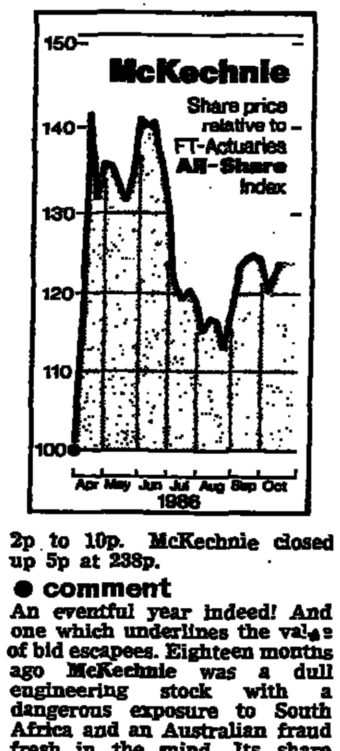
Dr Jim Butler, the McKechnie chairman, said it was now "likely but not certain" that the Macdem stake would be sold to Haggie, while the Consolidated stake would be retained through strong dividend flow rather than disinvestment.

McKechnie is certain to lose up to £5m of the value of its Macdem stake if it disinvests. In financial Rand (those exportable) the stake is now valued at about £4m but in commercial Rand its "real" value is more than £8m. McKechnie has already written the value down to £4m in its balance sheet.

The results show that McKechnie has now become a far less international business.

Dr Butler is, currently, negotiating with F. H. Tomkins, the new owner of Pegler-Hattersley, about buying out its 50 per cent stake in Fluid Control of New Zealand.

The cost of fending off the two failed bids—from Williams Holdings and Evered Holdings—£2m of the £3.96m extraordinary item, which in turn helped to cut retained profit to £2.8m from £4.9m in 1985. Turnover was down from £221.7m to £212.3m but after-tax profit was up £3m to £13.6m. Dividend for the year was up 2p to 10p. McKechnie closed up 5p at 238p.



● comment

An eventful year indeed! And one which underlines the value of bid escapees. Eighteen months ago McKechnie was a dull engineering stock with a dangerous exposure to South Africa and an Australian fraud fresh in the mind. Its share price, which has underperformed the index by 30 per cent over the past 10 years, hit a low of 112p. But McKechnie has used the publicity generated by the two bids to force perception to catch up with its quiet transformation. The company now makes 49 per cent of earnings from its wholly UK-based plastics and consumer goods subsidiaries (margins over 10 per cent) and 26 per cent from UK metals. The effects of eliminating loss-makers and heavy investment in new equipment is now coming through—as Williams and Evered spotted—and contributed to a 25 per cent rise in operating profit. There are still problem areas such as Delson and Ideal Tubes. Next year will also bring a higher tax charge and raw material costs. But unless the PSM acquisition turns bad McKechnie's re-positioning into higher value added niches (with generous customers such as IBM and Ford) should bring at least £26m next year.

F. Lilley silent as shares fall further

By James Buxton in Edinburgh

F. J. C. Lilley, the Glasgow-based construction group, which has large-scale contracts overseas, yesterday refused to make any statement on its affairs, following a sharp drop in its share price over the last two days.

On Wednesday, the company told the Stock Exchange that it was postponing announcing its half-yearly results to July 31 1986, for a week, until next Wednesday. The share price fell 16p to 26p on Wednesday and yesterday closed at 24p, having earlier dropped as low as 19p. Earlier this year the shares stood at 91p.

Analysts close to the company said yesterday that they understood Lilley's problems were related to its overseas contracts, though they could not identify the principal problem areas. The group has contracts in the US, Egypt, Algeria and Nigeria. The UK part of the business, where Lilley employs 4,299 people out of its total of 6,550, was said to be healthy and profitable.

In the report for the year to January 31 1986, the company said that American operations had returned to "modest profitability." The company had a 27 per cent growth in pre-tax profits to £9.54m, compared with the previous year. Turnover was £357.4m, up 19 per cent.

Brown Shipley buys stockbroker

Brown Shipley, the merchant bank, has bought a second regional stockbroker and is poised to acquire another in its drive to build up private client business.

It is to pay £550,000 for Wilshere Baldwin, a three-partner firm in Leicester, and discussions are at an advanced stage for the acquisition, for about £600,000, of an unnamed Scottish firm.

Brown Shipley last year paid £5m for Heseltine Moss, a Reading-based stockbroker with 10 offices. Wilshere Baldwin will continue to trade under its own name, but will eventually come under the administrative and accounting control of Heseltine Moss.

Brown, with more than 40,000 private clients and £550m of funds under advice, said yesterday that it intended to continue its expansion into regional stockbroking, either through acquisitions or by opening new offices.

The bank is concentrating on investment advice and management rather than moving into market-making under new Stock Exchange rules.

Its shares closed 2p higher yesterday at 49p.

Strong's stake in Garner nears 20%

By Nikki Tait

Strong & Fisher, which is fighting a £19.5m bid for fellow leather manufacturer Garner Booth, yesterday announced that it had received acceptances and itself spoke for a total of 19.23 per cent of Garner's ordinary shares by the first closing date.

The offer has now been extended until November 6.

The acceptances have come from holders of 4.25 per cent of Garner's shares. In addition, Strong held a 1.29 per cent stake in Garner before its bid was announced and, together with its merchant bankers Hambros, has since purchased a further 13.69 per cent.

Acceptances have also been received from holders of 69.2 per cent of the preference shares. Commenting on the level of acceptances, Mr Richard Strong, chairman of Strong & Fisher, said yesterday that he was delighted.

The bid is currently being looked at by the Office of Fair Trading, with a view to a possible Monopolies reference.

Strong & Fisher shares shed 4p to 138p yesterday while Garner Booth lost 12p at 178p.

Rank sells its Granada interests

BY CLAY HARRIS

Rank Organisation has sold the last of its shares in Granada Group, the diversified television company for which it unsuccessfully bid earlier this year.

Rank's holding in Granada was as high as 8 per cent before its £755m takeover offer was blocked in February by the Independent Broadcasting Authority.

It reduced its stake to less than 5 per cent with a placing in July, and said yesterday that it no longer held any Granada shares.

Rank declined to disclose the timing, means or price of the disposal.

Granada said yesterday that although it had seen no evidence of the transactions, the recent behaviour of its share price was compatible with a progressive series of placings.

Granada shares shed 4p yesterday to close at 268p. Last week Salomon Bros, US investment bank, bought all 10.6m shares issued by Granada to finance its £30m purchase of Laskys, the electrical retail chain, from Ladbroke Group.

Salomon, which paid 282p for the shares, said yesterday that all had been placed successfully last Thursday.

December float for Border TV

BY ALICE RAWSTHORN

Border Television will become the last mainland independent television contractor to go public when it floats on the Unlisted Securities Market in late December.

The company is one of the "baby" regional channels in the ITV network with a franchise which encompasses less than 1 per cent of televiewing households. Until recent years, Border has been almost wholly reliant on advertising revenue and has thus been vulnerable to the volatile nature of the television advertising market.

Since the introduction of Channel 4 in 1982, Border has increased its programme-making activities, however, and intends to continue to do so in order to establish a more stable income base.

It plans to stage a rights issue next month to raise £500,000. This capital will be invested in production facilities in order to improve Border's programme-making capacity, thereby enabling it to take advantage of the opportunity to sell programming to the new media and overseas.

Border has operated at a loss in two out of its last four financial years, but returned to profit in its last financial year by producing pre-tax profits of £704,000 on turnover of £8.86m in the year to April 30.

The company's shares are already traded under the Stock Exchange's Rule 535(2) and Border already sports around 230 shareholders. According to the managing director, Mr James Graham, the company is keen to secure a broader base for its shareholding and specifically to encourage people living in the Border region to acquire shares.

Border will join the USM through an introduction sponsored by its stockbrokers, Henry Cooke Lumsden of Manchester. After the introduction, the company should be capitalised at between £3m and £3.5m.

Tyzacks reunion ruled out

BY NIKKI TAIT

THE PROSPECT of a reunion between W. A. Tyzack and Tyzack Turner—the two quoted Sheffield-based precision engineers which are a product of a family split last century—receded yesterday when W. A. Tyzack announced that merger discussions had proved unfruitful.

"We are all disappointed," said Mr Frank Davis, managing director of W. A. Tyzack. "We remain interested at the right price."

Gild Investments, which acquired a 28 per cent stake in W. A. Tyzack two months ago, has also discontinued its separate discussions with major Tyzack Turner shareholders.

In its own statement yesterday, Tyzack Turner implied that it was unaware that these talks had concluded and said agreement had yet to be reached on two points—a share exchange which would adequately reflect Tyzack Turner earnings contribution to a merged group, and some form of compensation if assets were sold to produce an extraordinary profit.

However, Tyzack Turner added: "We believe we have a sound future as an independent company."

Turner Tyzack shares were unchanged at 76p on the news, but W. A. Tyzack fell 6p to 70p.

Bestwood in £2m purchase

Bestwood, investment and property services company headed by Mr Tony Cole, has completed its £2.1m acquisition, via a vendor placing, of Property Building and Maintenance Company.

To pay for the acquisition, Bestwood issued 601,923 new shares most of which have been placed through a number of brokers at 3.25p. The vendors are retaining the balance—71,000 shares—which they will not sell before next March.

PBM, which maintains and cleans commercial property in Greater London, has sales of about £2.2m and the vendors have warranted that pre-tax profits in 1986 will not be less than £440,000.

Lex expands in electronics

Lex Service, the motor and electronics distribution group, announced yesterday that it was negotiating to buy two electronics subsidiaries from the large privately-owned American grain-trader, Cargill Inc.

Talks have reached an advanced stage, said Lex, and the deal should be completed by the middle of December.

The larger of the two businesses—Tennant Electronics—is based in Edwardsville, Kansas, and has branches in Long Island and Los Angeles. The bulk of its business comes from the distribution of connectors. In the year to end-May 1986 total sales were $28m (£19.5m).

The second company, Cargill Electronics, is based in Swindon and is a specialist connector and elecertomechanical distributor.

Abell sells shares to fund divorce

Mr David Abell, chairman and chief executive of the fast-expanding Suter group has sold over £1m worth of shares in his company for a divorce settlement.

Yesterday, a statement said he had sold 542,500 shares at 216p a time "as a result of the arrangements for a financial settlement with his wife, from whom Mr Abell has recently been divorced."

Mr Abell still owns almost 4 per cent of the company with shares worth around £6m and has "no plans for further sales." The company's shares slipped 7p to 215p.

Mecca premium

Shares in Mecca Leisure, the entertainments group, whose offer for sale was subscribed nearly 12 times last week, were given a warm response in the stock market when dealings began yesterday.

Offered at 135p, the shares opened at 146p and held at a similar level throughout the day. They closed at 144p, a premium of just under 7 per cent to the offer price.

Bristol Oil

Shares in Bristol Oil and Minerals fell 1½p to 17½p yesterday after Intercaribbean Investment and Trading announced it had sold 3m ordinary shares, representing about 5 per cent of BOM's equity. Intercaribbean has retained 4.18m shares.

Grosvenor holders advised to wait

Grosvenor Group, the troubled electronics and engineering company, which now has two suitors in BBA Group and Hollis, yesterday advised shareholders to take no action for the present.

At the end of September the Grosvenor board recommended an £8m offer from BBA but on Wednesday that offer was topped by Hollis, the vehicle for Mr Robert Maxwell's new interest in engineering. The Hollis offer values Grosvenor at £8.9m with a cash alternative 10p higher than BBA's at 135p.

Mr N. Chamberlayne-Macdonald, former chairman of Grosvenor, has committed, through the Cranbury Estates, 10.2 per cent of Grosvenor to Hollis. Hollis had expressed an interest in the company earlier in the year, it has been revived by the arrival from Heron Corporation of Mr Colin Robinson as managing director.

LWT (HOLDINGS) has acquired 60 per cent of the equity of Silverbach Lazarus Group, a Los Angeles-based television distribution company, for an initial consideration of $650,000 (£545,000). A further consideration will be paid on a formula based on the average of five times pre-tax profits over the next three years.

NEEPSEND'S chairman told the annual meeting that the company, as a whole, would have an improved first-half.

Avis Europe set to gain good institutional backing

GOOD INSTITUTIONAL support seems assured for the £276m flotation of Avis Europe, the prospectus of which is published today.

Following a whistle-stop tour of Europe, at least 10m and perhaps as many as 20m of the 72m shares on offer will be bought by foreign institutions through a privileged application process.

The offer will raise £177m net of expenses through the sale of just over two-thirds of the company's total capital. Of the proceeds, £163m will go to the company's vendors, Wesray Capital Corporation.

Mr Alun Cathcart, group managing director, said that to date some 46,000 enquiries for prospectuses had been received and newsagents had been keen that individuals should apply for shares.

For the year to February 1987, Avis is forecasting pre-tax profits of at least £33m and earnings per share of almost 18p. At 250p the new shares are being offered on a multiple of almost 14 times prospective earnings.

The offer is sponsored and underwritten by Morgan Grenfell and the brokers to the flotation are Morgan Grenfell Securities and Cazenove. The applications list for shares opens on October 30 and dealing is expected to begin on November 6.

● comment

Just days after Big Bang, US asset realisation specialists Wesray will be asking the City to take off its hands Avis Europe—and with it somewhere about a quarter of the total consideration that the Wall Street investors paid for the whole of Avis. For Avis Europe the opportunity to escape from remote but cash-hungry owners is clear and no doubt welcome; for the market the chance to buy into a well-run European-wide business is equally an attraction. At 250p the shares rely for an after-market premium mainly on the City and the private investors fondness for a well-known name rather than any privatisation-style undervaluation. As the institutions should be able to get most of what they want through the subscription process, the strength of this aftermarket seems questionable. Those prepared to stay in the stock should expect it to maintain a modest premium to the market for just as long as the general trend in business activity, which car rental demand runs ahead of, points upward.

N. Sea & General losses pass £1m

North Sea & General Oil Investments, the UK-based oil exploration and development company whose shares were suspended on October 10 pending the acquisition of Australian gold producer Indian Ocean Resources, recorded a pre-tax loss of £1.09m in the six months to June 30 1986. In the same period last year the company made a pre-tax profit of £2.24m. Turnover dropped to £3.62m from £8.32m.

The USM company was badly hit by the steep fall in oil prices which averaged approximately £11 a barrel in the first half compared with over £20 a barrel in the first half last year. The loss per share came out at 4.57p compared with earnings per share last time of 5.02p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Anchor Chem	int	1.35	Nov 28	1.25	—	4.25
British & C'wealth	int	2.45	—	2.2	—	5
Equity & General	int	0.3	—	0.3	—	0.9
Feb Intnl	int	0.89	—	0.89	—	1.78
Ferguson Ind	int	3.1	Dec 11	2.75	—	7.9
French Connection‡	int	1.75	Jan 16	1.75	—	5.25
Gerrard & National	int	3	Dec 3	3	—	15.5
Govett Strategic		2.5	—	2.3	3.8	3.6
London & Northern	int	2.1	Jan 5	2.1	—	5.15
McKechnie Bros		7	—	5.5	10	8
Norman Hay	int	1.44	Dec 4	1.44	—	3.75
Norscot Hotels†	int	1.32	Dec 5	1.2	—	2.4
Pressac		1.8	Dec 10	1.5	2.5	2.2
Really Useful	int	7.5	Dec 12	—	11.25	—

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

London and Northern hit by oil downturn

THE London and Northern Group, with its healthcare and construction activities based in the Middle East, suffered a knock-on effect of falling oil prices in the first six months of 1986 and for the period saw its pre-tax profits dive by some 53 per cent.

This followed a sharp downturn in the second six months of the 1985 year.

Turnover of the healthcare division for the first half of this year was down and the sector continued to be affected by delay in receipt of sums due from the United Arab Emirates.

The division is currently tendering for fresh hospital management contracts where satisfactory terms can be negotiated.

In all, group turnover for the half year declined from £147.78m to £112.65m and at the pre-tax level profits more than halved from £7.94m to £3.7m.

Below the line there were extraordinary credits of £4.38m arising from the disposal of concrete products and metal interests. The disposals realised £13.9m before taking account of closure costs and trading losses on discontinued operations.

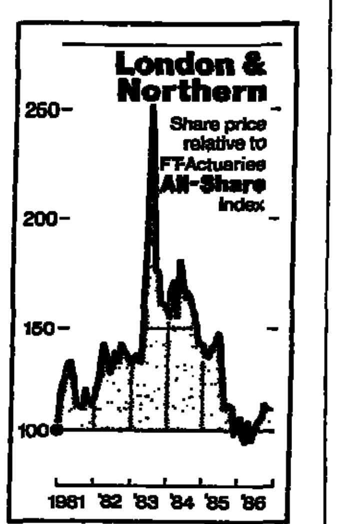
The credits lifted the available surplus from £4.7m to £6.34m and earnings per share to 5.5p (5p). The interim dividend is held at 2.1p net—shareholders can opt for a shares alternative. Earnings pre-extraordinaries amounted to 1.9p.

The directors said yesterday that the downturn caused by the falling oil prices had been partially offset by improving results from the group's housebuilding, natural resources and manufacturing interests.

They expected second half trading profits to show an improvement over those for the first six months.

They added that the proceeds of the disposals had been used in part to expand the natural resources division via the acquisition of Aggregrate Industries of the US, in part to develop the group's interests in sheltered accommodation and in part to reduce group borrowings.

Shareholders were told that level of borrowings was still being affected by delay in contract receipts amounting to some £25m from the United Arab Emirates.



Following the disposal of the concrete products and metal interests the group is being restructured into four divisions.

● comment

London and Northern has been a victim of too much, too late. The company never recovered from entering the Middle East healthcare market just weeks before the 1983 oil bust-up. And lots of unhealthy red ink later the move towards sheltered housing in the UK appears no more certain to succeed. With interim trading profits of £6.4m against £10.8m at the halfway point last year, even some improvement in the second half is unlikely to see the pre-tax total past the £9m mark—and most brokers have cut, in some cases halved, forecasts to this level. A lot of the damage is being done by interest charges which are unlikely to fall below £5m for the year until the United Arab Emirates pays its bills and helps cut net debt below the 70 per cent of shareholders funds level. L and N's main attraction for several years has been its yield, the prospective is 9¼ per cent on the shares at 77½p, and the question is how much longer can this be maintained in the face of poor trading results. Holding 1985's 5.15p payout will cost £5.7m which suggests only a wafer thin surplus at the retained level given the forecasts.

Cats helps Really Useful to £4.3m

By Richard Tomkins

Really Useful Group, Mr Andrew Lloyd Webber's theatrical company, survived a general downturn in West End audiences and turned in a pre-tax profit of £4.3m for the year to end-June 1986—comfortably above the £4.2m it forecast when it came to the market in January.

The main force behind the group's advance from pre-tax profits of £1.8m the year before was the success of its production of Cats and Starlight Express. For the future, it is looking to a strong contribution from its new production of The Phantom of the Opera, which had a successful opening in London two weeks ago.

Really Useful's shares, floated at 330p, closed unchanged at 395p.

Group turnover rose from £11.6m to £15.7m and earnings per share were up from 10.2p to 24.8p. The final dividend is 7.5p, making 11.25p for the year, as forecast.

The decline in the number of US tourists visiting Britain this summer meant that some London theatres suffered a fall in bookings, but Cats and Starlight Express continued to play to full houses.

Lend Me A Tenor was affected by the downturn but continues to play, and Cafe Puccini proved to be a flop. However, the Palace Theatre had a strong second half because of the success of Les Miserables, and overall UK income rose by 46 per cent.

Overseas income was boosted by highly successful productions of Cats in Australia, Canada and Japan, and other productions continued to play successfully in Austria and Hungary. New productions have opened in Norway, Finland and West Germany.

In the US, Cats continued to play in New York, Los Angeles and San Francisco and has just gone on tour. The profits contribution, however, was almost flat because of the unfavourable effect of exchange rates.

Lacklustre sales in a poor spring hit French Connection

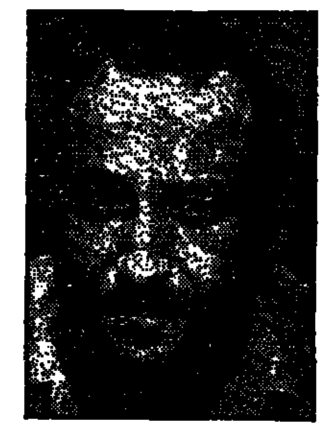
BY ALICE RAWSTHORN

French Connection, the USM-quoted fashion group, yesterday announced that pre-tax profits had halved to £1.28m in the first half of the year because of sluggish demand for women's wear in the UK, and a slow recovery in the US.

In the UK, French Connection, like many other fashion retailers, suffered from lacklustre sales in the face of dismal spring weather. This reduced the flow of repeat oirders for its wholesaling business and intensified pressure on trading margins. A parallel problem was posed by the company's heavy expenditure on advertising in a period of sluggish sales.

The Nicole Farhi designer collection and men's wear ranges fared well, increasing sales by around 20 per cent. But these ventures represent a small part of French Connection's UK activities and their contribution was insufficient to offset the decline in women's wear.

Similarly, the company improved its performance in both France and Hong Kong. But this growth was unable to counter the problems set by its recovery from losses in the US in the second half of last year. French Connection did succeed in nursingits US associate, Best



Mr Stephen Marks, chairman of French Connection.

Of All Clothing, back to breakeven, however, and it should produce a profit in the second half of this year.

Bukta, the sportswear manufacturer acquired in 1984, made a marginal contribution

In the six months to July 31 1986, French Connection increased its turnover to £22.46m (£19.93m), but pre-tax profits fell to £1.28m (£2.87m). Earnings per share fell accordingly to 4.7p (8.7p), although the interim dividend was maintained at 1.75p.

Given that All Our Best Clothing is expected to return to profit and demand for the autum/winter collection has been relatively strong the chairman, Mr Stephen Marks, expects an improved performance in the second half of the year.

● comment

French Connection appears to have countered its problems in the US by a combination of stringent cost control and a change in distribution strategy. Similarly the company can, quite credibly, dismiss the downturn in the UK as a problem confined to one particularly dismal fashion season. Yet this episode can only have confirmed the City's worst suspicions about the volatility of the fashion industry in general and French Connection in particular. The long term solution for the company is to reduce its reliance on wholesaling by augmenting activity in the less vulnerable area of retailing. Yet High Street property prices are dizzingly high and effectively preclude immediate expansion. French Connection's share price, which has bobbed about like a yoyo in recent weeks, fell by just 5p to 200p producing an optimistic prospective p/e of 17 on projectd profits of £3.2m.

Gilts weakness hits Gerrard & National

BY DAVID LASCELLES, BANKING CORRESPONDENT

GERRARD & NATIONAL, the UK's largest discount house, had a difficult first half to its financial year because of the weakness of the gilts market.

In its interim statement for the six months up to October 5, issued yesterday, the group said that profits "are small." As is customary it gave no details.

The year started "on a most promising note," it said, "but then trading conditions worsened as further reductions in interest rates failed to materialise. UK fixed interest markets became volatile and then deteriorated rapidly."

Mr Roger Gibbs, the chairman, said: "The good news is that we made a profit at all. We must avoid losing a lot of money in conditions like the ones we have just had."

He noted that the gilts market had peaked shortly after the group's financial year began in April, and had weakened for most of the next six months. The group's book was now "defensive," he said, though he believed the latest round of interest rate increases "would stick."

Mr Gibbs said that despite the recent difficulties, the group was confident about the Big Bang when Gerard will become one of 27 market-makers in gilts.

"We have the technology in place. We're ready for it" he added. The market-making operation will be capitalised at £20m.

Gerrard is to pay an unchanged dividend of 3p on its capital, which it recently increased with a £22m rights issue. For the whole of last year, the company disclosed net profits of £10.1m.

Norscot Hotels in talks after 39% profits rise

Norscot Hotels yesterday revealed interim pre-tax profits up 39 per cent, thinks mainly to the acquisition of Clan Hotels in August last year. The company also confirmed that talks were proceeding with outside interests which might lead to an offer for Norscot's shares.

Norscot first announced that it had received a bid approach in September. Some 85 per cent of the company is owned by friendly interests, with effective control in the hands of Mr Peter Ross, chairman.

In the six months to July 27, Norscot made trading profit of £552,000 (£341,000) on turnover of £2.9m (£1.7m). After interest payable of £225,000 (£107,000), pre-tax profits were £327,000 (£234,000). After a tax charge of £38,000 (£35,000) relating solely to ACT and preference dividends of £16,000 (£16,000), earnings per share were 50 per cent higher at 4.8p (3.2p).

The interim dividend is up 10 per cent at 1.32p (1.2p) and this rate of increase should be maintained at the final stage.

Turnover in the group's original ten hotels was up 8 per cent as a successful campaign to attract Scottish visitors offset cancellations by US, European and English tourists.

Although second half bookings are encouraging, because of the inclusion of Clan Hotels in last year's second half figures, the rate of profit increase is likely to be slower at the full year stage.

Between £1m and £1½m will be spent this year on a programme of hotel refurbishment. The aim is to increase the number of hotel rooms (currently 79 per cent) with a private bath or shower.

The shares closed down 4p at 141p.

Ferguson Industrial lifts pre-tax profits by 21%

Ferguson Industrial Holdings, the printing, packaging and plastics group, reported pre-tax profits up 21 per cent from £3.3m last time to £4m in the six months to August 31 1986. This was despite a 39 per cent slump in turnover to £45.3m (£75.1m).

The results were Ferguson's first not to include contributions from the company's building supplies division which was sold last February.

Mr Denis Vernon, chairman, noted the company's increasing concentration on its printing, packaging and plastics activities. He said the division, which reported trading profits of £3.9m (£3.3m) on turnover of £29.8m (£24.5m), would have made a higher contribution but for the absorbing of Ferguson Plastics start-up costs.

He said the company's construction division had continued to disappoint, producing a loss of £138,000 on turnover up from £9.7m to £11.8m, but he added that a new management team was now in place and in the process of rationalising the business. However, he expected further losses until that process was complete by the year-end.

Mr Vernon reported the reduction of other activities following the sales of Allan Kennedy, a manufacturer of steel flooring and handrails, and Hodgetts and Mole, wood turners. The consideration for these sales amounted to £1.5m.

He said that non-trading activities had benefited from £394,000 (nil) profit on the sale of certain investments and the fact that there were no interest charges to bear.

He believed that Ferguson's search for suitable acquisitions, coupled with its organic growth stemming from its existing activities augured well for an encouraging future.

After tax of £1.4m (£1.3m) earnings per share worked through 31 per cent higher at 9.7p (7.4p).

The company is paying an interim of 3.1p, up from 2.75p last time.

Feb profits and outlook lifts shares

Feb International "A" shares jumped 6p to 68p yesterday following the announcement of a return to profits in the half-year to June 30 1986 and a forecast by the directors of a significant increase in profits in the second half. The company, which manufactures and distributes chemicals, made pre-tax profits of £152,00 in the six months, compared with a loss of £93,000 in the same period last year, on turnover of £9.42m (£10.24m). The interim dividend is held at 0.89p. Earnings per share came out at 1.45p (losses 1.36p).

Waterford Glass has 50.1% of Wedgwood

Waterford Glass is set to formally take control of Wedgwood following its agreed £250m bid earlier in the month. Waterford has received irrevocable undertakings from holders of 38.3 per cent of Wedgwood (subject to there being no higher offer), and a subsidiary of Waterford has now bought 11.8 per cent in the market—adding up to 50.1 per cent.

Anchor interim profits double

Pre-tax profits of Anchor Chemical Group, a Manchester-based manufacturer and distributor of specialty chemicals, more than doubled to £673,000 in the six months ended June 30 1986, compared with the depressed £290,000 earned in the same period last year. Turnover jumped from £9.3m to £16.69m.

The directors said profits in the second half should match those of the first half. In the year ended December 31 1985 the company made pre-tax profits of £1.13m on turnover of £20.96m.

Pre-tax profits were, after a £30,000 writeoff of intangible fixed assets and an interest charge of £380,000 (£284,000). There was no associate contribution (£226,000). UK tax took £21,000 (£37,000) and overseas tax £282,000 (£180,000).

The interim dividend is held at 1.25p from earnings per share of 9.1p (2.5p). For 1985 the company paid dividends totalling 4.25p.

Rising N. American sales give Pressac sharp boost

Pressac Holdings, Electro-mechanical component manufacturer and precision engineer, raised its profits for the 1985-86 year from £1.13m to £1.72m pre-tax from turnover 33 per cent ahead at £24.05m.

Higher sales were recorded in all major product areas—telecommunications, automotive TV and domestic appliance—and overseas sales of £5.23m (22 per cent of the total) continued to improve, especially to the important North American markets.

The company's shares fell by 2p yesterday to 139p.

The directors said that the current year had started well with increased demand in all areas. Further growth in exports was anticipated.

They pointed out that measures taken towards the end of the last financial year would reduce the group's exposure to any significant risks with regard to currency fluctuations.

Tax for the past year (to July 31 1986) accounted for £809,000 (£490,000) and left net profits at £915,000, against a previous £638,000.

Earnings amounted to 10.8p (7.2p). A final dividend of 1.8p (1.5p) is being paid, lifting the net total from 2.2p to 2.5p.

At year-end, borrowings had been reduced by almost £2m to 3 per cent of shareholders' funds, compared with 47 per cent last year.

The directors said that Pressac Incorporated (USA), established as a sales and engineering office to support and strengthen the group's growing sales in North America, would be a base for further development in that area.

COMPANY NEWS IN BRIEF

THOMAS WARRINGTON AND SONS: the directors said they noted the recent rise in the share price and have no knowledge of any reason for the movement. Over the past three days the shares have risen 23 per cent, or 19p to a 1986 high of 102p.

GOVETT STRATEGIC Investment Trust: Net asset value per 10p share at September 30 1986 307p (213.1p) prior charges at par, and 309.6 (213.3p) at market value. Final dividend 2.5p (2.3p) making 3.5p (3.6p) for year

APPLEYARD GROUP: of the 2.67m new ordinaries offered by way of a rights, 85.6 per cent was taken up. The balance was sold in the market and the net premium (some 29p per share) will be distributed to original allottees.

EQUITY & GENERAL (financial services and motor dealerships): Interim dividend 0.3p (same) net for six months to June 30, 1986. Turnover £10.94m (£10.09m) and pre-tax profit £349,000 (£187,000). Attributable profit £227,000 (£122,000) after tax of £122,000 (£65,000). Earnings per share 1.5p (0.8p). Comparisons restated.

EL ORO MINING & EXPLORATION (investment dealer): Pre-tax profits for the first half of 1986 up from £457,000 to £639,000. The tax charge was £220,000 (£178,000) leaving earnings per 10p share at 9.06p, against 6.29p last time.

THE EXPLORATION COMPANY: Profits slipped £4,000 to £731,000 in first half of 1986. After tax of £256,000 (£283,000) earnings came through at 3.94p (3.75p) per 5p share.

NORMAN HAY (electro-plating and anodising): Interim dividend 1.4375p (same) for six months to June 30 1986. Turnover £3.2m (£2.75m) and pre-tax profits £221,000 (£207,000). Attributable profit £134,000 (£119,000) after tax of £87,000 (£88,000).

INVESTORS CAPITAL TRUST (investmen trust): Net asset value of 311.9p per 25p ordinary share in nine months to September 30 1986 (290.09p in 12 months to December 31 1985). Interim dividend 2.9p, making total dividends for nine months 7.4p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Atlas Converting Equipment, Clayton Son, Dean and Bowes, Photax (London), Smallbone, Toshiba, E. Upton.

Finals: Authority Investments, Ayer Hitam Tin Dredging, Ensign Trust.

FUTURE DATES

Interims—

Chloride	Nov 20
Lilley (F. J. C.)	Oct 29

Finals—

Manchester Ship Canal	Nov 20
Ranks Hovis McDougall	Nov 19
Smiths Industries	Nov 12

ROBERT FLEMING SECURITIES - Congratulations to all staff on Second Anniversary of our Big Bang. Looking forward to business as usual on Monday.

DCFP

TECHNOLOGY: Computing

EDITED BY ALAN CANE

For executives who want to know what their machines are up to, US software houses have the answer

Management's line to value for money

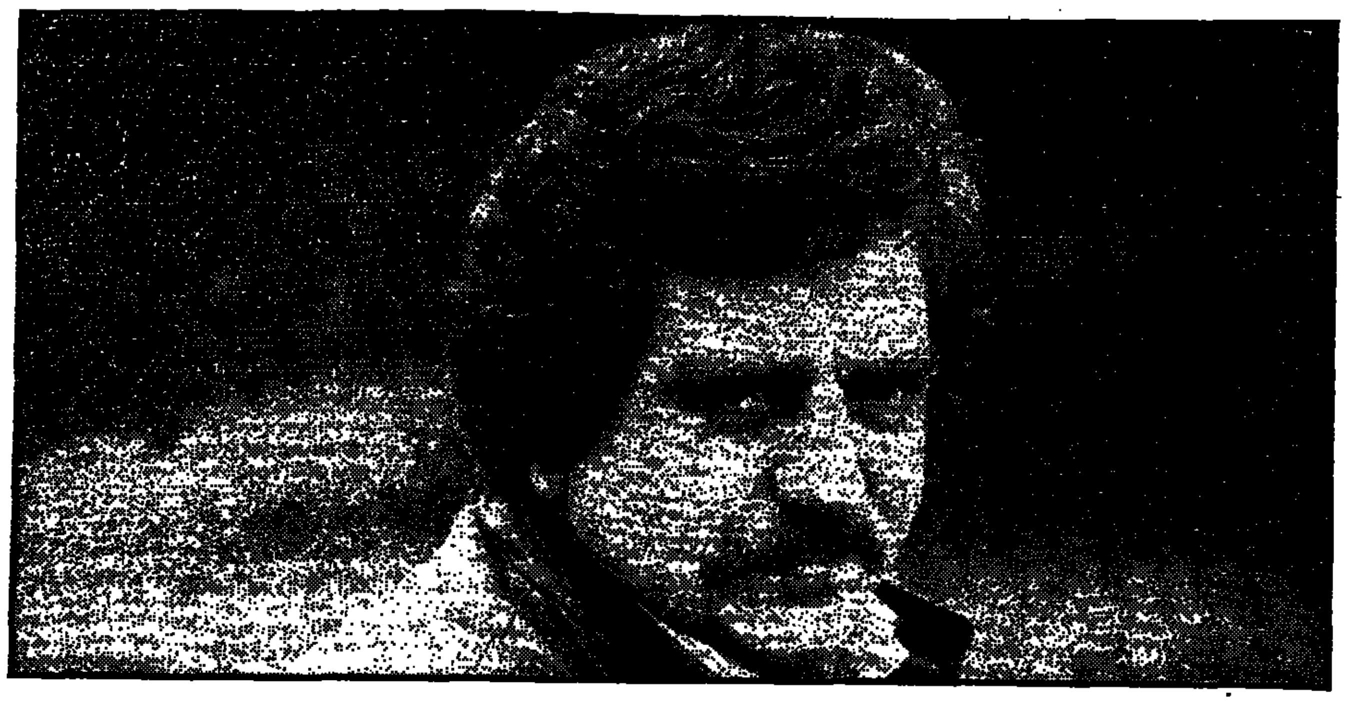
SUDDENLY, senior managers want to know what their computers are doing. They want to know how efficient they are, whether they are meeting their design specifications and whether they are giving value for money.

Data centre managers, however, are all too often unable to provide the answers. They may simply have no way of knowing how well their systems are performing; if they do, the answers may well be hidden in volumes of computer print-out which are difficult to boil down into useful numbers for senior management.

Among the leading US computer software vendors, two companies, the SAS Institute and Candle Corporation, have become a byword in the world's bigger data centres for their ability to measure the performance of a big computer system and report its shortcomings in simple terms.

Their approaches seem quite distinct from their closest competitors like IBM and Boole and Babbage. Candle software is based around efficient data sampling techniques that enable it to build a concentrated picture of how the system is performing.

SAS software, meanwhile, is based around a concept of information management which looks at all data in the system in a common way—whether it is details of a payrole, a personnel file or measurements of central processor activity.



ABOVE: Philip Bond, UK managing director of SAS
BELOW: Aubrey Chernick, president of Candle Corporation. He has placed emphasis on his products' ease of use

Candle: IBM monitor for the evangelist

CANDLE CORPORATION is wholly dedicated to performance management in IBM mainframes. Unlike SAS, whose performance measurement software is a spin-off from its data handling capabilities, Candle builds nothing but software to monitor the internal workings of large IBM computers.

Its founder and president, Mr Aubrey Chernick, wrote the company's basic product, Omegamon, in 1977. He claims his users are evangelistic about the company's products and he is something of an evangelist himself.

Performance software is hard to describe but it can be best thought of as a window on the operating system, the complex series of programs which manage the operations of the computer.

IBM has two principal mainframe operating systems, MVS and VM. Candle software can also be used to monitor the performance of the IBM information management software CICS and IMS.

Essentially every five or ten seconds, the Candle software looks around the entire computer system and records the activity in each component. This information, fed out to a monitor screen, gives systems specialists a powerful insight into how well the machine is performing.

Mr Chernick emphasises the importance of the system's ease of use. One of his products, in fact, uses SAS graphics software to help in the presentation of the performance message.

Over the years a measure of intelligence has been built into the system representing the experiences gained at many thousands of IBM sites.

The company now has over 10,000 mainframe installations; in the UK, principal customers include British Aerospace, National Westminster Bank, the Prudential Assurance Company and British Telecom.

There is a need for software like Candle because companies frequently do not know whether their computers are operating efficiently or why there has been a deterioration in performance. "We expose problems you do not know you have" Mr Chernick claims.

Candle says, for example, that companies, operating teams of computers frequently do not know if one of the set has failed. Omegamon behaves like an application programme, running under the operating system, but was designed with a measure of independence so that it could continue sending messages of woe to the outside world while the rest of the computer died around it.

This week, Candle introduced a new innovation, a software switch making it possible, for example, to monitor a number of IBM mainframes from a single site.

Called CL/Session 1000, it does away with the necessity, when switching from one application to another, of logging off from one application and logging on again to the next.

Typical costs for Candle performance measurement software are £30,000-£60,000 for MVS and VM based products.

SAS: Where inspiration comes from a campus atmosphere

SAS INSTITUTE is unorthodox, even for an industry which has more than its share of unusual companies.

It likes to think of itself as a college rather than a business, hence the "Institute" in its title. Its headquarters in Cary, North Carolina, resembles a campus — with gymnasium, rackets court, lake, creche and cafeteria — rather than a software factory.

Its UK subsidiary moved a year ago into Wittington, a substantial estate near Marlow in Buckinghamshire. Preserved and renovated, the house has the atmosphere of the senior common room in a science-based university. Even so, every so often, oak panelling gives way to the mass of telecommunications cables needed to support the satellite link to Cary.

Research and development is the touchstone of SAS's corporate ethos. It spends, according to its founder, Mr James Goodnight, 55 per cent of its budget on research and development and only 10 per cent on sales, a ratio which should spell disaster, but on which it appears to thrive.

It is 12th in the list of top US software vendors published yearly by the journal *Software News* and its turnover this year is likely to top $100m. In the UK, turnover will be more than £4m and profits will be "enough", according to Mr Philip Bond, UK managing director.

It keeps its business feet on the ground through a series of novel mechanisms. For example it canvasses ideas for new products, and improvements in existing ones, from its customers through an annual questionnaire.

It has a tiny direct sales force and sells chiefly over the telephone. And it licenses rather than sells its products outright so it has a very solid idea of how much cash is coming in from year to year: "Very few people cancel," says Mr Bond.

Its customers in the UK include American Express, the Bank of England, the Stock Exchange, and British Telecom. Indeed, BT has just agreed to license SAS performance measurement software for all 24 IBM sites in its troubled Customer Service Centre programme. The programme should result in a network of large computer centres each covering a specific area of the country, but it has had a difficult gestation. Mr Bond says his software is not intended to diagnose the cause of the problems but it will tell BT when the systems are up to scratch.

SAS has an unusually broad product range. It is involved in statistical analysis, graphics, report generation, information cente data management, performance measurement and data analysis an disimulation.

The core of its products is a powerful data management system which has some aspects of a relational database. Once a customer's data has been captured in this system it can be manipulated in a variety of enterprising ways.

The basic SAS statistic package was converted to a performance measurement tool by Mr Barry Merrill, a US computer consultant.

He devised a way for the software to sieve the performance information produced by IBM's big machine operating systems (it emerges as inches-thick chunks of print out, indecipherable to anybody but a systems specialist) and reduce it to something with meaning for a non-technical executive.

The popularity of superminicomputers as hosts for information networks has encouraged SAS to develop versions of its software for Digital Equipment, Prime and Data General machines. It has also introduced a personal computer version.

Division over best route to an IT strategy

CONSULTANTS specialising in information technology (IT) disagree markedly among themselves on what constitutes an IT strategy plan and how it should be conducted.

This is one of the principal conclusions of a new report on IT consultancies to be published next week by the magazine *Business Computing & Communications.*

It points out that in many cases the consultant's "client" is the management information services (MIS) department for a particular company rather than the company as a corporate unit.

Inevitably, therefore the plan fits the business strategy of the MIS unit rather than the company as a whole.

The conclusion confirms other evidence that MIS departments and main board directors are often at cross purposes over a company's direction in IT.

The report was based on questionnaires submitted to 39 of the major IT consultancies, of which 35 replied. It identified a major division in the way consultancies interpret IT studies based on whether they were technology based or business based: "At one end of the spectrum there are consultancies which will deliver a strategy recommendation based exclusively on IT opportunities arising from business needs."

"At the other, there are consultancies which will deliver what is essentially a long-term plan for the information systems department based usually on a data architecture study."

"The majority of firms were somewhere in between, although their bias tended towards technologically led strategies."

Among the other conclusions were:

- Clients find that strategy studies are often only marginally effective in identifying opportunities for competitive advantage.
- Some consultancies will only attempt an IT strategy study with the managing director's active support. Others were willing to go ahead under the sponsorship of the data processing or MIS department alone.
- Most consultants insist that business strategies are established first, but some go ahead without any corporate strategy, hoping the study alone will serve as a stimulus to the formulation of business objectives.

The report identifies sharp differences in the way consultants view assignments: "On the one hand there are those such as A. T. Kearney, BIT, Index, Nolan, Norton and Company and Strassmann who see the primary aim of a strategy assignment as finding the major points of leverage where information technology can be used to improve business performance."

"On the other hand companies like CMG, LBMS, Logica, Scicon and SRI see the assignment as a study which leads essentially to a long-term strategy for the information systems function."

Business Computing and Communications says it undertook the study because of growing evidence of the failure of companies to realise business benefits from their investment in IT and the poor success rating by companies of their attempts at information systems planning: "Research on both sides of the Atlantic demolishes the simplistic notion that merely investing in information technology guarantees business improvements."

"On the contrary, the evidence suggests there is no simple correlation between IT investment and improved performance."

It reflects, the authors suggest, a failure on the part of senior management to grasp what can be done with information technology: "Ironically, one reason is that industry and commerce have become heavily dependent on computer systems for their day-to-day operations."

"It is almost as if computerised accounting, payroll, inventory control and administration have typecast technology in a supporting as opposed to a central, business-building role."

Among their conclusions, the authors insist that it is imperative the client decides precisely what is wanted from the assignment: "A golden rule is to invite a shortlist of consultancies to tender for the work against specific terms of reference."

*** The IT Consultancy Report: £450 from Business Computing and Communications, London (01) 855 7777.**

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§170	F.P.	—	190	186	BakerHarrisSaund's10p	190	+4	R4.0	2.7	3.0	17.8
§125	F.P.	—	122	121	‡Berry, Birch 10p	122	......	R2.5	2.2	4.9	13.1
§100	F.P	—	109	102	‡Citygrove 10p	102	......	R2.5	2.7	3.5	14.8
§130	F.P.	17/10	198	152	‡Creighton Labs 20p	195	......	U3.7	2.2	2.7	23.6
160	F.P.	24/10	146	123	Euro Home Products 5p	140	−2	R4.25	2.5	4.3	10.8
§105	F.P.	16/10	112	103	‡Eve Construction	104	......	u4.5	3.2	6.1	7.3
§135	F.P.	24/10	166	145	‡Great Southern 10p	157	+1	R5.2	2.2	4.7	13.4
..	F.P.	—	28	27	Group Development	28	......	—	—	—	—
185	F.P.	7/11	208	188	‡Interlink Express 5p	205	......	R3.5	3.2	2.4	18.6
§135	F.P.	24/10	245	145	‡Local London Group 5p	230	......	W5.0	1.8	3.1	25.9
110	F.P.	5/11	129	119	Marlbor'gh Tech Man 5p	129	......	R2.70	3.1	2.9	13.0
135	F.P.	—	146	143	Mecca Leisure 10p	144	......	R4.1	2.2	4.0	15.7
§105	F.P.	24/10	164	133	‡Miller & Santhouse 5p	164	+2	u2.25	2.4	1.9	30.6
—	F.P.	—	31	27	New Australia Inv Wrts	31	......	—	—	—	—
§75	F.P.	24/10	79	73	‡Newage Trans 5p	75	......	R3.5	2.5	6.6	8.5
§25	F.P.	22/10	26½	25½	Nth of Scotland Inv 10p	26½	......	—	—	—	—
§90	F.P.	24/10	90	88	‡Radamec Group 5p	90	......	R1.28	5.7	2.0	12.3
§95	F.P.	—	97	93	‡Rotunda 10p	93	−2	R30.3	2.8	4.5	11.2
¶110	F.P.	24/10	108	102	‡Ryman 5p	102	......	L1.5	3.2	2.1	17.1
135	F.P.	24/10	164	151	Sandell Perkins 10p	164	+1	u3.8	2.9	3.3	15.1
100	50	14/11	102	80½	TSB	80½	−1½	W4.26	3.1	4.6	10.0
‖‖	F.P.	—	385	320	‡Utd. Trust & Credit £1	332	+2	u14.0	2.1	5.9	11.5
§160	F.P.	5/12	179	170	‡Whitney Mackay 10p	170	......	R4.0	3.0	3.3	14.0
125	F.P.	10/10	156	136	Yorkshire TV	152	−1	R6.25	2.4	5.8	10.3

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
‖	F.P.	13/11	106	100½	Comtech Finance 11½% Cnv. Uns. Ln. 1996	106	+2
§100	£10	8/1	12½	11	East Worcs. Water 12½% Red Deb 94-96	12¼	+¼
§100	£10	29/1	10¼	9½	Essex Water 11¾% Red. Deb. 2002-04	10½	......
¶101.42	£10	26/2	11¾	11½	do 8⅝% Red. Pf 1993	11½	......
‖	Nil	14/11	9pm	6pm	‡Goodhead Print 7% Cnv. Red. Prf.	8pm	......
§100	£10	15/5	9½	2	Mid-Sussex Water11% Red Deb2012-16	4½	−½
—	F.P.	—	100⅛	98⅝	Nationwide 10⅛% 21/9/87	98⅝	......
—	F.P.	—	100¼	100	Do 11¼% 26/10/87	100¼	+⅛
¶101.87	£10	22/1	11¾	11½	Portsmouth Wtr. 8¾% Red. Pf 1996	11½	......
96.645	£25	8/1	24¾	17	Scot. Met. Prop. 10¼% 1stMort.Deb.2016	19½	......
—	F.P.	—	116p	104p	Scott. & Newcastle 7% Conv. Pref. £1	112p	......
¶102.25	£10	8/1	11¾	11½	Tendring Hundred Wtr 8¾% Rd. Pf 1996	11½	......
¶¶	F.P.	24/10	122p	115p	WCRS 5½% Cnv. Cum. Red. Pref. 1999	116p	......
¶¶	F.P.	—	95p	92½p	Walker (C & W) 6½pc Cnv Cum Red Pref	95p	......
¶¶	F.P.	—	104p	97p	Williams Hldgs 5¾% Cum Cnv Pref	97p	−2

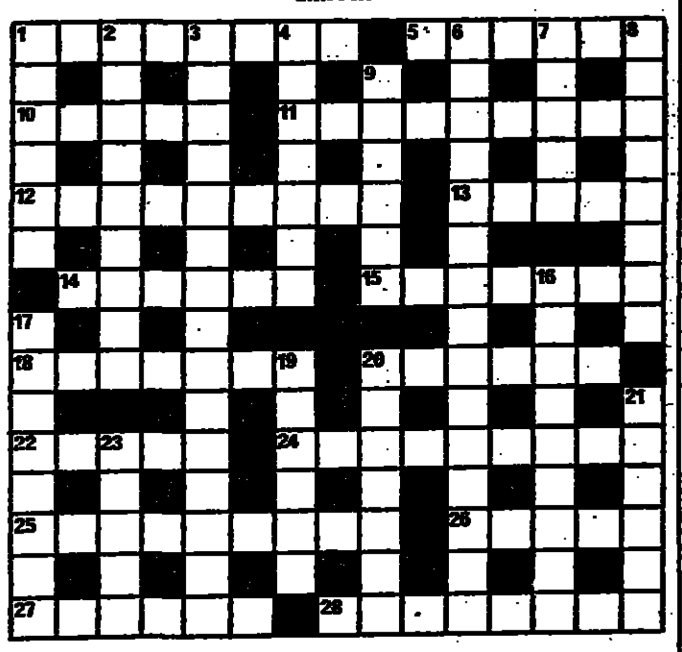
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
140	Nil	25/11	24pm	18pm	Banro Inds. 20p	18pm	......
180	Nil	5/12	9pm	1½pm	Beltzer (C.H.) 10p	1½pm	−1
137	Nil	—	18pm	15pm	Bellway	15pm	−3
86	Nil	—	6pm	6pm	Brown Boveri	6pm	......
90	Nil	12/12	10pm	7pm	Bryant Hldgs.	7pm	−1
71	Nil	24/11	6pm	3pm	Burns Anderson 10p	4pm	......
$1.80	Nil	26/11	12½pm	4pm	E.R.I.C.	5pm	......
85	Nil	5/12	1½pm	1pm	Lawrence (W)	1pm	......
30	Nil	25/11	9pm	1pm	Norfolk Cap 5p.	1pm	......
160	Nil	10/12	58pm	52pm	Parrish (J.T.) 5p	58pm	......
5	Nil	21/11	1pm	½pm	Platignum 5p	½pm	−¼
100	Nil	—	50pm	43pm	Ratcliffe (F.S.) Inds.	43pm	......
720	Nil	—	16pm	10pm	Slebe	16pm	......

Renunciation date usually last day for dealing free of stamp duty. *a* Annualised dividend. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *h* Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures *t* Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. *u* Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

F.T. CROSSWORD PUZZLE NO. 6,159

GRIFFIN



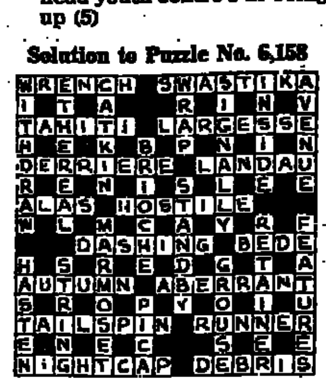
ACROSS

1 No longer a union member? (8)
5 Travelling band I'd entered (6)
10 Best timber on the street (5)
11 Confine study to music (9)
12 To be a real cook is complicated (9)
13 It turns forwards and backwards (5)
14 Win confidence of retiring male member (6)
15 Drain something on the car (7)
18 Looking furtively oriental in a Chinese city (7)
20 Indicate a half-made key (6)
22 She sees the artist scuttle inside (5)
24 Cycles carelessly in Milan, a half mile inside (9)
25 "Stupidity or insanity" I write, quite wrongly (9)
26 Book drink that's on sale, 50 per cent off (5)
27 Kindly put the chap in the shade (6)
28 He follows the head around the division (8)

DOWN

1 Incompetent person no good with a sovereign (6)
2 Raves about hat having many uses (9)
3 Applying logic when taking wild Alsatian into Rio (15)
4 Cry out, cross, in a fit of malice (7)
6 Put down "fickle," but that may be switched round (15)
7 Coming to paint but lacking skill (5)
8 Create when I leave Irene standing in the entrance (8)
9 Girl returning without an extension (6)
16 Strange, but Anne left half that cannot be *maintained* (9)
17 Could be a catch, having two pianos in the overture (8)
19 First move to the Gateshead boundary (6)
20 Take action about deposit being held up (7)
21 A gift the volunteers contributed (6)
23 Widespread dislike of Minehead youth centre I do bring up (5)

Solution to Puzzle No. 6,158



AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

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2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dist Gilt Fd	58.C	60.1		—
U.S. Govmt Bond Fd	50.513	0.516	+0.00	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity Tst	48.7	51.9		7.56
Growth Trust	52.1	55.9	+0.2	2.23
Income Trust	53.7	57.2	−0.2	5.06

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	70.2	73.7		2.80

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	129.7	138.0	−0.1	3.12

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy Oct 8		102.8		—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	199.5	210.0	−7.8	—
Equity Ser. 1	100.1	105.4	−0.5	—
Prop. Acc. Ser 2	278.5	293.2		—
Equity Ser 2	108.8	114.4	−0.5	—
Selective Acc	233.3	245.6	−0.7	—
Prop. Ser. 4	220.5	232.2		—
Equity Ser. 4	112.2	118.2	−0.5	—
Fixed Int. Ser. 4	175.7	185.0	+0.1	—
Indexed Int. Ser. 4	109.3	115.1	+0.1	—
American Ser. 4	254.9	268.4	−0.1	—
High Inc. Ser. 4	286.2	301.3	−1.6	—
Japan Ser 4	226.3	238.3	+4.0	—
Man. Ser. 4	344.9	363.1	+0.1	—
Money Ser. 4	196.9	207.3		—
European Ser 4	122.6	129.1	+0.5	—
Pension Funds				
Property	357.5	376.4		—

City of Westminster Assurance—Contd.

Far East Fund	201.4	212.0	−5.6	—
North American Fund	170.8	179.8	+0.7	—
Natural Resources Fund	144.0	151.6		—
Pension Managed Fund	375.2	395.0	+0.4	—
Pension Equity Fund	245.3	258.3	+0.1	—
Adventurous Mngd Fd	118.7	125.0	+1.2	—
Balanced Mngd Fd	116.9	123.1	+0.3	—
Conservative Mngd Fd	110.6	116.5	+0.3	—
European Fund	107.1	112.2	−0.6	—
International Fund	115.6	121.7	−0.5	—
S.U.N. Flagship Fd	124.9	131.5	+0.5	—

For other prices please telephone 0908 606101/660088

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds				
Mixed	131.4	138.4	(z)	—
Equity	148.9	156.8	(z)	—
Property	109.8	115.6	(z)	—
Gilt & Fixed Interest	106.6	112.2	(z)	—
Indexed Securities	97.2	102.4	(z)	—
Cash	108.1	113.8	(z)	—
North American	108.1	113.8	(z)	—
Far East	122.4	128.9	(z)	—
International	124.8	131.4	(z)	—
Special Situations	141.0	148.5	(z)	—
International Income	140.4	147.9	(z)	—
American Income	118.6	124.9	(z)	—
European	150.6	158.6	(z)	—
Flexible Retirement Plan				
Mixed	134.4	141.5	(z)	—
Equity	142.5	150.0	(z)	—
Property	115.4	121.5	(z)	—
Gilt & Fixed Interest	112.8	118.8	(z)	—
Indexed Linked	99.2	104.5	(z)	—
Cash	116.1	122.3	(z)	—
North American	113.2	119.2	(z)	—
Far East	134.8	141.9	(z)	—
International	131.1	138.1	(z)	—
Special Situations	157.3	165.6	(z)	—
European	174.0	183.2	(z)	—

Executive Investment Pension Plan
Prices on October 15. Unit dealings on Wednesday.

Cash Fd	140.0	147.4		—
Mngd Fd	188.5	198.5		—
Fixed Int. Fd	140.5	148.0		—
UK Equity Fd	218.5	230.1		—
Property Fd	134.1	141.2		—
Overseas Fd	193.0	203.2		—

Provincial Life Assurance—Contd.

Acorn Managed Fund	124.2	130.8	+0.7	
Portfolio 2000	118.3	124.6	+0.2	—
Allied Anglo Mngd Fd	121.0	127.4	+0.5	—
Brian Foster Mngd. Fd	102.6	108.0	+0.8	—
Archer Managed	94.1	99.1	+0.1	—

For Capital Unit and Other Prices ring 01-247 6533

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prufund				
Managed Oct 22	177.5	184.9	−1.6	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discret'ry Oct 22	105.18	107.88	−0.57	—
Equity Fund Oct 22	107.99	111.33	+0.63	—
Intnl Fund Oct 22	20.87	21.52	−0.39	—
Intl Bond Fund Oct 22	10.54	10.65	+0.12	—
Fixed Int Oct 22	53.47	54.18	+0.12	—
Index Linked Oct 22	45.38	45.98	−0.29	—
Property Fund Oct 22	63.26	65.22	+0.70	—
Cash Fund Oct 22	16.0380	16.0380	+0.033	—
Pru-Linked Retirement Plan				
Managed Fd Oct 22	257.46	268.20	−0.16	—
Cash Fd Oct 22	153.10	159.50	+0.30	—
Prudential Pensions Investment Account				
Pens Managed Fd Oct 22	104.1	109.6		—
Pens UK Eq Fd Oct 22	144.2	151.8		—
Pens Intl Fd Oct 22	141.7	149.2		—
Pns Fxd Fd Oct 22	96.6	101.7		—
Pns Index Lk Oct 22	105.8	111.4		—
Pens Cash Fd Oct 22	100.5	105.8		—

Regency Life Assurance Co Ltd
55-57 High Holborn, WC1V 6DU. 01-831 7481.

Scottish Amicable Investments—Contd.

Do. Accum	272.8	287.2	−2.6	
Exempt Fxd Int. Init.	146.2	154.0	−1.3	
Do. Accum	194.4	204.7	−1.7	
Exempt Indxl. Init.	177.3	186.7	+0.8	
Do. Accum	235.6	248.1	+1.1	—
Exempt. Prop. Init.	90.7	95.5		—
Do. Accum	120.6	127.0	+0.1	—
Exempt Cash Init.	115.6	121.7		—
Do. Accum	153.7	161.8	+0.8	—
Exempt Man. Init.	171.6	180.9	−1.9	—
Do. Accum	228.3	240.4	−1.3	—
SAMM Call rate		6.00		—

Scottish Equitable Life Assce. Soc.
28 St Andrew Sq, Edinburgh 031-556 9101

Mixed	151.9	159.9		—
UK Equity	119.0	125.3		—
International	147.8	154.9		—
American	122.3	128.8		—
European	160.2	168.6		—
Japan	163.2	171.9		—
Pacific	152.2	160.3		—
Technology	126.2	133.0		—
Fixed Interest	102.8	108.3		—
Indexed Linked	92.6	97.6		—
Foreign Bond/Currency	133.6	140.6		—
Cash	102.364	107.793		—
Pens Mixed	313.9	330.5		—
Pens UK Equity	331.5	349.0		—
Pens International	382.2	402.4		—
Pens American	125.9	132.4		—
Pens European	147.3	155.1		—
Pens Japan	163.7	172.4		—
Pens Pacific	132.0	139.0		—
Pens Fixed Interest	158.4	166.8		—

INSURANCE, OVERSEAS & MONEY FUNDS

Skandia Life Assurance Co—Contd.

TSB Income	152.0	160.0	+0.8	—
TSB Nat Resources	101.4	106.7	+0.5	—
TSB Pacific	143.4	150.9	−0.9	—
TSB International	131.7	138.6	−0.4	—
TSB Selected Opp.	142.6	150.1		—
TSB Managed	119.0	125.3	+0.1	—

Skandia Pensions Managed Funds

Pension Managed	294.8	310.3	−0.7	—
Arbuthnot Managed	157.7	166.0	−0.4	—
Fidelity Managed	97.6	102.7		—
Framlington Managed	164.1	172.7	−1.0	—
Gartmore Managed	189.1	199.0	−0.6	—
Henderson Managed	166.2	174.9	−0.2	—
MIM Britannia Managed	150.3	158.2	+0.6	—
Oppenheimer Managed	104.9	110.4	+0.7	—
Perpetual Managed	99.4	104.6	−0.2	—
TSB Managed	142.1	149.5		—

All funds have equivalent pension funds. Unit prices are available from Skandia Life

Standard Life Assurance Company
3 George St, Edinburgh EH2 2XZ 031-225 2552

Managed	334.3	351.9	−3.2	—
Equity	446.8	470.4	−4.3	—
Fixed Interest	207.1	218.1	+0.2	—
Index-Linked	112.6	118.6	−0.1	—
International	341.0	359.0	−1.7	—
Property	188.1	198.1		—
Cash	159.0	167.4		—
Pension Managed	425.6	448.0	−2.2	—
Pension Equity	590.2	621.3	−6.0	—
Pension Fxd Int	233.0	245.3	+0.3	—
Pension Index-Linked	131.9	138.9		—
Pension International	461.2	488.5	−0.3	—
Pension Property	204.8	215.6	+2.0	—
Pension Cash	201.2	211.8	+0.1	—

Sun Alliance Insurance Group
Sun Alliance House, Horsham 0403 64141
Life Funds

Managed Fund	357.8	376.7	−0.4	—
Equity Fund	442.0	465.3	−3.7	—
Fixed Interest Fund	244.2	257.1	−1.3	—
Index Linked Fund	148.3	156.2	+0.2	—
Property Fund	270.5	284.8		—
International Fd	363.5	354.3	+4.0	—
North America Fund	117.0	123.2	+0.8	—
Far East Fund	159.8	168.3	+5.1	—
Deposit Fund	174.3	183.5		—

Windsor Life Assur Co Ltd
Royal Albert House, Sheet St, Windsor 868144

Accum. Pen. Units	412.3	434.0		
American	271.7	286.0		
Deposit	165.7	174.4		—
Far East Fd.	230.1	242.2		—
Flex. Inv. Growth	230.3	242.5		—
Fxd.Am.Gth.	170.0(a)	213.0(a)		—
Gilt	194.9	205.2		—
High Inc. Equity	216.2	227.6		—
High Inc. Fixed Int.	114.1	120.1		—
Hedge Fund	251.1	264.3		—
Index-Linked Gilt	117.0	123.2		—
Initial Pen Units	300.0	315.7		—
Investor Units	217.5	228.9		—
Kiwi Key (Managed)	442.0	465.7		—
N. Amer. Fund	215.7	227.0		—
Open Plan Mngd Fd.	132.2	139.2		—
Pacific	588.8	619.8		—
Property	166.8	175.6		—
Ret Ann Pen	99.82			—
Takeover Fund	263.1	277.0		—
UK Equity	208.9	219.9		—

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plnrs.) Ltd
Windington Hse, Milton Bryan Woburn 0525 210041

D. Aaron Mngt Targ Bd.	167.9	176.8	−1.4	—
D. Aaron Mgt Targ Pens	82.7	87.1	−0.8	—

Ashville Insurance Brokers Ltd

Ashville Fixed Mngt Ltd
286 Oxford Rd, Gomersal BD19 4PY (0274) 870445

Ash Gro. Man (SL)	106.7	112.4	+0.9	—
Ash Man. Fd. (SM)	113.4	119.4	+0.8	—
Ash Man Pen (SE) Fd	93.5	98.4		—
Ash Dis Fd (C.R.)	108.4	114.1	−0.2	—
Ash Strat. Al. Fd.	94.7	99.7	−0.6	—

Chase de Vere Investments Ltd
63 Lincoln's Inn Fields, London WC2 01-404 5766

Portfolio Mngt Service	140.7	147.8	−0.9	—

FPS Management Ltd.
14-19 Old Park Rd, Hitchin, SG5 2JR. 0462 37911
Life Managed Funds

Secure	101.7	107.2	+0.5	—
Balanced	103.8	107.9	+1.1	—

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

TRADITIONAL OPTIONS

3-month call rates

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

David Owen on the battle to fill the Krugerrand gap

The US eagle enters the fray

THE WORLD'S expanding band of significant primary gold producers (and assorted hangers on) thinks it knows a good opportunity when it sees one. This week's successful launch of the US Eagle accordingly presages a wave of gold coin offerings planned over the next year to 18 months to fill the vacuum left by the widespread ban on the Krugerrand, South Africa's former market leader.

But what effect will the Eagle and its sundry successors have on the bullion coin market such as it is today? And how should the potential investor react to the barrage of inducements to buy which will surely follow in their wake?

The Eagle enters the market at a time when the Canadian Maple Leaf, launched in 1979, has grown to become the dominant product. On the back of the Krugerrand's demise and increased Pacific Rim demand, sales of the Maple Leaf virtually doubled last year to some 1.9m ounces and market share rocketed from 28 to 65 per cent.

But more than 40 per cent of the Canadian coin's 1985 sales were in the US market. While this figure has dropped in 1986 to nearer 30 per cent of total sales, according to a Royal Canadian Mint official, the Maple Leaf's high level of US dependency appears to leave it vulnerable to an Eagle attack. Although the US coin is made from lower purity gold—91.67 per cent (like the Krugerrand) as opposed to 99.99 per cent—it is bound to benefit from the appeal to patriotism in its home market.

The first batch of 500,000 one ounce coins and 300,000 of the three fractional weights was completely sold out to dealers within two days. Sales will re-open on Monday when another 152,000 ounces will be available.

Other minor players on the present-day market are the Chinese Panda, sales of which are expected to rise to between 250,000 and 300,000 coins this year from 124,000 in 1985, and various smaller competitors such as the Mexican Gold Peso. The Panda, however, wholesales at a much higher premium to the price of gold than the 3 per cent margin set for the Eagle and the Maple Leaf, due to its much smaller mintages. It is, therefore, unlikely to develop into a bulk seller, according to New York analysts.

If all present plans come to fruition (a big "if" in some cases), these coins will be joined by products from Japan, Australia, Luxembuorg, New Zealand, Brazil and possibly the Philippines in the short to medium term.

The Japanese coin, minted to honour Hirohito's 60th anniversary as emperor, is unlikely to figure in the plans of many investors, since it is targeted at the numismatic rather than the bullion coin market.

Mr James Baker, the US Treasury Secretary, diisplaying the first American Eagle minted.

This is made clear by the coin's 100,000 yen face value—more than double that of its 20 gram gold content at today's prices. Only 50,000 of the 10m coin minting, due for release in November, will be made available outside Japan owing to enormous domestic demand. Reports of renewed recent Japanese gold purchasing have prompted rumours that a second issue may be in the offing early next year. While Finance Ministry officials deny that a firm decision has been reached, sources in New York project a further 5m coin issue in February.

The Australian Nugget, expected to be released early next year, wll by contrast be targeted at the bullion coin market; as (probably) will the still rather conjectural Luxembourg Lion. The Nugget, like the Maple Leaf, will be made of 99.99 per cent purity gold and the initial sales target is 300,000 to 500,000 oz per year. Marketing strategy is, for the moment, unknown although in the words of one observer, "if Australia charges more than 3 per cent wholesale, it won't be able to go against the Eagle and the Maple Leaf."

No launch date has been scheduled for the Luxembourg Lion and, according to one prospective distributor: "At the moment just about anything can change." With word of the New Zealand Kiwi and the possible Brazilian and Philippines entries still scarcer, it looks like the immediate future will see a tussle for bullion coin market share between the Maple Leaf and The Eagle with the Nugget and the Panda assigned supporting roles. Krugerrands will presumably continue to be available for resale.

"The proliferation of new coins," according to Mr Jeffrey Nichols, president of American Precious Metals Advisors, "has the potential to be bullish because of the marketing push which will accompany it." "However," he adds, "if the gold for the Eagle comes from official reserves, the effect on the market may be bearish."

Despite protestations to the contrary from the US Mint, it is quite conceivable that some of the gold earmarked for the Eagle will continue to come from official reserves — of indeterminate origin — rather than US mines as mandated by Congress. Gold for the initial supply was indeed derived from reserves, according to a US Mint official.

The Treasury is estimating first-year Eagle sales at around 2.2m ounces. This compares with 1985 US gold mine production of 2.47m ounces. Since much of the domestically mined supply is no doubt committed to other buyers and there appears to be no particular incentive to sell to the US Mint, some observers are expressing doubt as to the Mint's ability to secure enough American mined supplies ot fulfil their ambitions. If this is so and demand for the coins is strong, the feeling is that the Mint may be tempted to dip further into existing stocks. "I think they will mint as many coins as can be sold by getting gold from the official reserve to the extent that domestic supplies are unavailable," says Mr Nichols. "We intend to use newly mined gold for the entire programme," retorts the US Mint's International Marketing Officer, Ms Hamilton Dix. "We don't expect to have a problem of supply," she adds, although "the Secretary of the Treasury has the option to use reserves if he deems it necessary."

Certainly, those out to make a fast buck should think twice before investing in the Eagle. Analysts expect initially heavy demand to push retail premiums well above the 5 to 8 per cent level which might be considered a normal trading range. But they should quickly fall back. Anyone tempted to purchase while premiums are high in the hope of cashing in a few weeks later would be reliant on further hikes in the recently buoyant gold price to wipe out the probable loss which would otherwise accrue as the premium level settled back.

French agency takes up Ivorian sugar restructuring programme

BY PETER BLACKBURN IN ABIDJAN

THE FRENCH aid agency, Caisse Centrale de Co-operation Economique (CCCE) has stepped in to replace the World Bank in major programme to restructure the loss-making Ivorian sugar industry.

The CCCE is lending CFA FFr 9bn ($27.7m) to help finance a CFA FFr 42bn ($129m) programme to restructure the state-owned sugar producer Sodesucre, one of the country's biggest white elephants.

The original World Bank scheme has been substantially changed, according to Mr Yves Roland-Billecart, the CCCE director general, who signed the loan agreement in Abidjan last week.

The project has been scaled down and now involves far less foreign technical assistance — deemed too expensive, Mr Roland-Billecart said.

The World Bank's proposal that the four sugar complexes should be privately managed has been rejected by the Ivorian Government. Instead they will continue to be managed by Sodesucre with assistance from the French group Adra.

The same formula has been successfully used for the rehabilitation of the state-owned palm-oil producer Palmindustrie.

The sugar programme aims to raise output to 185,000 tonnes by 1990-91 from 133,000 tonnes in 1985-86 with a view to entirely satisfying local demand.

This compares with the 1982-83 record output of 187,000 tonnes of which just over half was exported. Production will come from four sugar complexes at Boroutou, Ferkessedougou 1, Ferkessedougou 2 and Zuenoula.

Two other complexes at Serebou and Katiola were converted into paddy rice and seed farms in 1984 in order to reduce excess capacity and cut financial losses.

Surinam clears the way for bauxite industry's revival

BY CANUTE JAMES IN KINGSTON

AFTER SEVERAL years of complaints from the two companies operating in the country, Surinam has suspended its bauxite production levy as part of a deal in which the companies will invest $150m in the ailing industry.

The companies are also being allowed by the Government to cut the industry's workforce from 4,300 to 2,700 by 1990. Employment in the industry has already been reduced by 1,700 since 1980.

Representatives of the Natural Resources and Energy Ministry in Paramaribo, the Surinamese capital, said the levy had been "temporarily" suspended. They did not say, however, when it would be reintroduced. The industry does not expect that the issue of the levy to be discussed for another five years at least, and doubts that it will be reintroduced in a form similar to the tax regime of the past decade.

The suspension of the levy is expected to cost the Government of the former Dutch colony about $60m a year in revenue — about a quarter its income from mining, refining and smelting operations. The Government's earnings under the levy were pegged at 6 per cent of the average realised market price for aluminium ingot.

Surinam's levy suspension is likely to increase pressure on other bauxite producers, such as Jamaica, which have used the production levy to increase revenue. Major aluminium companies have argued that the use of the production levy by Governments increased production costs and made mining and refining uncompetitive.

The industry in the South American country is run by the Surinam Aluminium Company (Suralco), a subsidiary of the Aluminium Company of America (Alcoa) and Billiton, a subsidiary of Royal Dutch Shell. Both say the levy has been a factor contributing to cumulative losses over the past two years of $49.3m by Suralco and $35m by Billiton.

"This move by the Government makes our operations in Surinam more viable than they ever were," said an Alcoa official. "We had two years of losses in 1984 and 1985, so it was possible that we would be reconsidering our operations in the country. We do not, however, expect any increase in production from this agreement."

Surinam's industry is based on a 1.4 tonnes a year refinery and a smelter with a rated capacity of 60,000 tonnes a year. Refinery output last year was 1.26m tonnes while production smelter totalled 28,000 tonnes.

According to a representative of the Surinam Bauxite Institute, raw ore production last year was 4.2m tonnes, up from 3.23m tonnes in 1984.

The Government's decision to suspend the production levy follows other efforts to improve the competitiveness of the industry. Earlier this year the Government reported success in bringing refining costs down from $190 per tonne to $140 per tonne.

The loss of revenue which was being earned by the levy is likely to affect the already weak foreign earnings of the Surinamese economy. Government representatives report, however, that this loss will be partially offset by the new investments which the companies will make.

Suralco is expected to provide $85m of the funds, with the rest coming from Billiton. The investments will be used to re-equip existing plants and to open new mines.

The decision to cut the labour force in the industry follows several months of debate between the companies, the Government and the Surinamese trade union movement, about the right of the companies to dismiss workers. Alcoa's move earlier this year to sack 500 of its 3,500 employees was attacked on grounds that under Suriname's laws, employers needed the state's permission to make workers redundant.

Billiton has just concluded a new labour contract with the unions, but a negative reaction to these cuts agreed by the Government is expected when Suralco starts talks on new contracts in a few weeks' time.

"Over the past years Suralco has done its part to make its operations technically and commercially as efficient as possible, and it is encouraging to see that the Government is now helping to curtail production costs," said the Alcoa official. "We are hopeful that the labour unions will join in the effort to keep Suralco's operations economically viable."

The Government is also reported to be hoping to cushion the blow from revenue losses under the levy by recent agreements to sell refined bauxite to neighbouring Brazil, and to counter trade bauxite and other products with Czechoslovakia.

Brazil is increasing its purchases of refined bauxite to 130,000 tonnes per year, after buying 88,000 tonnes per year under a previous agreement. Surinamese officials say the contract will run to 1990, when they expect Brazil to become self-sufficient in refined bauxite.

The counter trade agreement with Czechoslovakia will involve the supply of unspecified quantities of raw and refined bauxite and aluminium. The agreement said the products would be supplied at prevailing world market prices.

The Czechoslovakia Government will pay for per cent of the Surinamese products with goods normally imported from other countries by Surinam, while the remainder will be paid in the form of letters of credit.

Oil price uncertainty follows Opec deal

By Max Wilkinson

OIL PRICES should rise to perhaps $18 per barrel by the end of the year, but next year they could be anywhere between $5 and $19, Sheikh Ali Khalifa al Sabah, the Kuwaiti oil minister said in London yesterday.

He was addressing a conference of senior oil men run by the Oil Daily and the International Herald Tribune the day after the Organisation of Petroleum Exporting Countries announced a renewed temporary agreement for limiting production.

Afterwards Sheikh Ali said that his figures should not be taken too literally, but they illustrated the major uncertainties facing Opec at its next meeting scheduled for December 11 in Geneva.

Although he said he hoped that a more permanent agreement could be forged at the next meeting he showed himself to be far from certain about the prospects after the recent failure of the 13 member countries to agree on an objective formula for sharing out the limited production available to them.

In answer to a question whether Ecuador might defect from Opec he said the organisation was balanced on a knife edge. The defection of one member could blow it over and for this reason he thought it unlikely.

He believed prices would collapse to perhaps as litle as $5 per barrel if Opec broke up in disarray but would climb towards his upper figure if agreement could be reached. For this reason he said the next meeting of Opec would be much more important than the one just concluded. And it would also be a difficult one.

He did not rule out the possibility of another temporary arrangement if full agreement became impossible, though he would not be drawn on the various possibilities.

● A spirited attack on the Government's "archaic attitude" towards "farmouts" was delivered yesterday by Mr Algy Cluff, chairman of Cluff Oil, writes Lucy Kellaway.

Mr Cluff told the Oil and Money Conference the refusal of the Department of Energy to allow oil companies to "farm out" the costs of drilling commitment wells on licences in the North Sea was the reason why the Independent Oil sector had not grown up into a major force in the industry.

He called on the Government to change its stance in time for the award of licences under the 10th round. Independent oil companies should be able to apply for 100 per cent of a licence, on the understanding that they would perform the siesmic work only, bringing in other companies to do the development.

LONDON MARKETS

COFFEE futures prices rose in London yesterday for the third day in succession, and the March position's £50 advance took it to the highest closing level for two weeks. But at £2,267.50 a tonne the March price was still a little below the peak of £2,279 a tonne reached during the day on Wednesday, before news that Brazil was no longer in the market as a buyer had sent values lower. Yesterday's gain was aided by sterling's weakness against the dollar while reports of rain in Brazil had little market impact. Sterling's weakness was also the major factor encouraging a modest rise in the cocoa futures market, where the March position gained £13.50 to £1,544.50 a tonne. On the London Metal Exchange copper prices were encouraged by a stronger tone in New York as well as the currency factor. Cash copper reversed the modest falls of the two previous two ays to end £6.50 higher at £932 a tonne—the highest level for more than three weeks.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

COPPER

LEAD

NICKEL

TIN

ZINC

GOLD

SILVER

SOYABEAN MEAL

INDICES

REUTERS

DOW JONES

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

COFFEE

COCOA

POTATOES

GRAINS

FREIGHT FUTURES

RUBBER

US MARKETS

THE FIRMNESS of the dollar, which gathered pace against other European currencies, proved the stumbling block for the precious metals markets, which many saw as floundering so far this week, reports Heinold. December gold again opened cautiously and there was the almost customary attempt to breach psychologically important resistance values at $430 per ounce. However, as the dollar's rebound gathered momentum the support which had been evident around $425 evaporated, and stops were activated when the market moved below $424. The ensuing panic, which saw traders bailing out of many long-established positions, took values to their lowest levels since mid-September at $416.5, before the market settled at $417. Platinum fared no better, with highs of $590 per ounce in the leading January position giving rise initially to nervous liquidation and then sympathy selling in line with gold. Analysts noted that the US stock markets appeared to profit from the exodus from the precious metals.

NEW YORK

CHICAGO

MEAT

SUGAR

OIL

GAS OIL FUTURES

HEAVY FUEL OIL

LEADED GASOLINE

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

US data boost dollar

STRONG US economic data boosted the dollar yesterday. Durable goods orders in September rose 4.9 per cent, after falling a revised 2.2 per cent in August. The financial market expected an increase of about 2 to 2.5 per cent. Dealers were particularly impressed by a rise of 8.8 per cent in non-defence capital goods orders. A rise of 0.3 per cent in September personal income was in line with forecasts, as was the increase of 0.3 per cent in the consumer price index. But with year-on-year inflation remaining under control at 1.8 per cent this was also regarded as good for the US economy.

The dollar rose to DM 1.9945 from DM 1.9845; to FFr 6.53 from FFr 6.50; to SFr 1.6430 from SFr 1.63; and to Y158.15 from Y155.80.

On Bank of England figures the dollars index rose to 109.9 from 109.3.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3700. September average 1.4711. Exchange rate index fell 0.1 to 67.5, compared with 75.7 six months ago.

Sterling suffered from disappointment at the September UK trade figures. The trade deficit of £877m, compared with a record £1.49bn in August, and a current account shortfall of £277m, against £886m, were not considered a good enough improvement and led to a sudden weakening of the pound. Stockbrokers James Capel expected a trade deficit of £740m and a current account deficit of £140m, while Barclays Bank forecasted a possible current account surplus of £300m. Capel commented the non oil balance is still worrying, and increased its forecast current account deficit for 1986 to £1bn. Sterling had been firm in early trading, in spite of slightly lower oil prices, but immediately lost about ¾ cent down on the day at $1.4235-1.4245.

The pound was helped to some extent by the strength of the dollar, closing unchanged at DM 2.84 and rising to Y225.25 from Y223, but easing to SFr 2.34 from SFr 2.35 and to FFr 9.2975 from FFr 9.3050.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9740. September average 2.0486. Exchange rate index 142.6 against 135.8 six months ago.

The D-Mark lost ground to the dollar in Frankfurt as attention focused on US economic statistics. These proved particularly strong, pushing the dollar up to DM 1.9935 from DM 1.9845 at the Frankfurt close, and creating speculation the US currency will soon test DM 2.00. The Bundesbank did not intervene at the Frankfurt fixing when the dollar rose to DM 1.9903 from DM 1.9817.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.85. September average 154.67. Exchange rate index 218.6 against 202.7 six months ago.

The yen continued to weaken against the dollar in Tokyo yesterday, on strong demand from Japanese institutional investors for the US currency. The dollar rose to Y156.35 from Y155.30, after touching a peak of Y156.45. The buying of the dollar reflected demand by Japanese investors in foreign bonds, but led to suggestions that Japan is finding the rise in the value of the yen over the last year a severe problem for a heavily export based economy. On the other hand the continuing high US trade deficit with Japan means dealers see a probable ceiling for the dollar of around Y158 at present.

The Nigerian naira fell by 6.4 per cent against the dollar at yesterday's foreign exchange auction. The $75m on offer was sold at a rate of 4.1775 naira to the dollar, compared with 3.9101 the previous week. The effective dealing rate for the coming week, including a 0.5 per cent levy payable to the central bank is 4.1985, against 3.9297.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu October 23	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.2196	+0.25	+1.05	±1.5368
Danish Krone	7.81701	7.84301	+0.33	+1.13	±1.6403
German D-Mark	2.11083	2.08057	−1.43	−0.63	±1.1127
French Franc	6.87316	6.81290	−0.88	−0.08	±1.3659
Dutch Guilder	2.37833	2.35154	−1.13	−0.33	±1.5059
Irish Punt	0.764976	0.763585	−0.18	+0.62	±1.6683
Italian Lira	1476.95	1440.48	−2.47	−1.98	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct 23	Latest	Previous Close
£ Spot	1.4320-1.4235	1.4320-1.4330
1 month	0.66-0.64 pm	0.63-0.61 pm
3 months	1.94-1.90 pm	1.86-1.83 pm
12 months	6.73-6.63 pm	6.25-6.15 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Oct. 23	Previous
8.30 am	67.7	67.8
9.00 am	67.8	67.8
10.00 am	67.7	67.7
11.00 am	67.7	67.7
Noon	67.5	67.7
1.00 pm	67.4	67.7
2.00 pm	67.4	67.7
3.00 pm	67.4	67.7
4.00 pm	—	67.6

CURRENCY RATES

Oct. 23	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.85041	0.734578
U.S. Dollar	5.5	1.2142	1.04420
Canadian $	8.58	*	1.45040
Austrian Sch.	4	16.9965	14.6523
Belgian Franc	8	50.2803	43.2196
Danish Kroner	7	9.1023	7.84301
Deutsche Mark	3½	2.4166	2.08057
Neth. Guilder	4½	2.73562	2.35154
French Franc	9½	7.9294	6.81290
Italian Lira	12	1671.26(1)	1440.48
Japanese Yen	3½	189.42	168.566
Norway Krone	8	8.88316	7.65975
Spanish Peseta	—	161.551	139.192
Swedish Krona	7½	8.31977	7.17472
Swiss Franc	4	1.98948	1.71354
Greek Drach.	20½	NA	141.081
Irish Punt	—	0.887679(1)	0.763585

* C$/SDR rate for Oct. 22; 1.69361
(1) SDR rate for Oct. 22

CURRENCY MOVEMENTS

October 23	Bank of England Index	Morgan Guaranty Changes %
Sterling	67.5	−25.9
U.S. Dollar	109.9	+2.2
Canadian Dollar	76.9	−13.0
Austrian Schilling	133.7	+9.1
Belgian Franc	97.5	−5.5
Danish Krone	90.3	+2.5
Deutsche Mark	142.6	+19.7
Swiss Franc	168.3	+22.0
Guilder	130.8	+13.0
French Franc	70.8	−12.5
Lira	48.2	−15.4
Yen	210.6	+58.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Oct. 23	£	$
Argentina	1.5545-1.5610	1.0930-1.0965
Australia	2.2015-2.2055	1.5470-1.5485
Brazil	19.94-20.06	14.02-14.09
Finland	6.9275-6.9380	4.8805-4.8825
Greece	191.38-195.25	131.55-133.65
Hong Kong	11.0840-11.1025	7.7975-7.7995
Iran	108.60*	75.80*
Kuwait	0.4160-0.4165	0.29280-0.29300
Luxembourg	58.90-59.00	41.35-41.45
Malaysia	3.7305-3.7390	2.6240-2.6260
N. Zealand	2.8000-2.9000	1.9685-1.9745
Saudi Ar.	5.3285-5.3330	3.7495-3.7500
Singapore	3.1030-3.1105	2.1840-2.1860
S. Af. (Cm)	3.1790-3.2020	2.2400-2.2445
S. Af. (Fn)	7.1100-7.4840	5.0000-5.2630
U.A.E.	5.2185-5.2235	3.6725-3.6735

* Selling rate.

POUND SPOT—FORWARD AGAINST THE POUND

Oct. 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4200-1.4350	1.4235-1.4245	0.65-0.62c pm	5.35	1.90-1.85c pm	5.27
Canada	1.9730-1.9920	1.9750-1.9760	0.54-0.45c pm	3.01	1.41-1.27 pm	2.71
Netherlands	3.20¾-3.22¾	3.20½-3.21½	1¾-1½c pm	6.07	4⅝-4½ pm	5.69
Belgium	58.80-59.30	58.90-59.00	23-20c pm	4.38	59-54 pm	3.83
Denmark	10.68-10.74½	10.69-10.70	1⅜-1ore pm	1.54	4⅝-3⅞ pm	1.40
Ireland	1.0395-1.0470	1.0410-1.0420	0.20-0.40p dis	−3.57	0.65-1.22 dis	−3.59
W. Germany	2.83½-2.85½	2.83½-2.84½	1⅝-1½pf pm	6.87	4⅛-4⅝ pm	6.60
Portugal	207.45-209.80	207.60-208.50	48-109c dis	−4.53	195-345 dis	−5.19
Spain	189.45-190.90	189.50-189.85	1am-23c dis	−0.70	7-40 dis	−0.50
Italy	1960½-1977½	1964-1965	[illegible]	−0.31	[illegible]	0.20
Norway	10.45½-10.49½	10.44½-10.45½	[illegible]	[illegible]	[illegible]	−3.47
France	9.27¼-9.32½	9.29¼-9.30¼	[illegible]	3.15	[illegible]	2.61
Sweden	9.77-9.82¾	9.78¼-9.79¼	[illegible]	2.99	[illegible]	2.71
Japan	224½-225½	224½-225½	[illegible]	6.66	[illegible]	6.10
Austria	19.90-20.08	19.94-19.98	[illegible]	3.04	[illegible]	5.32
Switzerland	2.33¼-2.35	2.33½-2.34½	[illegible]	8.01	[illegible]	7.05

Belgian rate is for convertible francs. Financial franc 59.25-59.35. Six month forward dollar 3.62-3.57c pm. 12 month 6.45-6.35c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Oct. 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4200-1.4350	1.4235-1.4245	0.65-0.62c pm	5.35	1.90-1.85 pm	5.27
Ireland†	1.3695-1.3722	1.3655-1.3665	1.20-1.00c pm	9.64	3.40-2.95 pm	9.27
Canada	1.3880-1.3915	1.3885-1.3895	0.26-0.28c dis	−2.20	0.88-0.91 dis	−2.58
Netherlands	2.2480-2.2565	2.2540-2.2560	0.12-0.10c pm	0.59	0.33-0.30 pm	0.56
Belgium	41.15-41.50	41.35-41.45	4-6c dis	−1.46	13-16dis	−1.41
Denmark	7.48¾-7.52¾	7.50¾-7.51¾	1.50-2.00ore dis	−2.80	5.50-6.00dis	−3.07
W. Germany	1.9830-1.9970	1.9940-1.9950	0.27-0.24pf pm	1.54	0.74-0.69pm	1.44
Portugal	146¼-147	146¼-147	100-140c dis	−9.86	325-425 dis	−10.27
Spain	132.70-133.65	133.40-133.50	60-75c dis	−6.09	180-200dis	−5.71
Italy	1375-1382½	1379¼-1379¾	5½-6½lire dis	−5.23	16½-18dis	−5.01
Norway	7.30-7.35½	7.33¾-7.34¼	5.25-5.65ore dis	−8.93	15.50-15.90dis	−8.56
France	6.50½-6.54	6.52¾-6.53¼	1.20-1.35c dis	−2.35	4.00-4.30dis	−2.55
Sweden	6.84¼-6.88¼	6.87-6.87½	1.40-1.60ore dis	−2.62	4.10-4.45dis	−2.49
Japan	156.00-158.20	158.10-158.20	0.20-0.15y pm	1.33	0.44-0.39 pm	1.05
Austria	13.97¼-14.05¼	14.04¾-14.05¼	⅞-¼ gro pm	0.48	1½pm-½dis	0.14
Switzerland	1.6315-1.6440	1.6425-1.6435	0.38-0.33 pm	2.60	0.82-0.77 pm	1.94

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 41.60-41.70.

EURO-CURRENCY INTEREST RATES

Oct. 23	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	10⅝-10⅞	10¾-11	11⅛-11¼	11 3/16-11 5/16	11¼-11 5/16	11 3/16-11 5/16
U.S. Dollar	5⅞-6	5⅞-6	5 15/16-6 1/16	5 15/16-6 1/16	5 15/16-6 1/16	6⅛-6¼
Can. Dollar	7¾-8¼	7¾-8¼	8 5/16-8 7/16	8⅜-8⅝	8 5/16-8 13/16	8 13/16-9 1/16
D. Guilder	5 5/16-5 7/16	5 5/16-6 1/16	5⅜-5½	5⅜-5½	5 5/16-5 7/16	5 5/16-5 7/16
Sw. Franc	⅝-⅞	3½-3¾	3⅛-3½	4-4⅛	4-4⅛	4 1/16-4 3/16
Deutschmark	4¼-4⅜	4⅜-4½	4 5/16-4 7/16	4½-4⅝	4 9/16-4 11/16	4⅝-4¾
Fr. Franc	7⅜-7½	7½-7¾	8-8¼	8⅜-8⅝	8 5/16-8 7/16	8¼-8½
Italian Lira	9-11	9¾-10¼	10½-10⅞	10⅝-11	10⅝-11	10⅝-11
B. Fr. (Fin.)	6⅞-7⅛	7-7¼	7⅛-7⅜	7¼-7½	7 5/16-7 7/16	7 5/16-7 7/16
B. Fr. (Con.)	6¾-7¼	7-7½	7⅛-7⅜	7¼-7⅝	7¼-7¾	7¼-7¾
Yen	4 13/16-4 15/16	4⅞-5	4¾-4⅞	5-5⅛	4 15/16-5	4⅞-5
D. Krone	9-9½	9¼-9¾	9⅝-9⅞	9½-10	9⅝-10⅛	10-10½
Asian $ (Sing.)	5 15/16-6 1/16	5 15/16-6 1/16	5 15/16-6 1/16	6-6⅛	6-6⅛	6⅛-6¼

Long-term Eurodollars: Two years 6¾-7 per cent; three years 7⅛-7⅝ per cent; four years 7 13/16-7 15/16 per cent; five years 8-8¼ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct 23	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.424	2.840	225.3	9.298	2.340	3.210	1965	1.976	58.95
$	0.702	1	1.995	158.2	6.530	1.643	2.255	1380	1.387	41.40
DM	0.352	0.501	1	79.31	3.274	0.824	1.130	691.7	0.696	20.76
YEN	4.440	6.322	12.61	1000	41.28	10.39	14.25	8721	8.770	261.7
F Fr.	1.076	1.532	3.055	242.3	10	2.517	3.453	2113	2.125	63.40
S Fr.	0.427	0.609	1.214	96.26	3.973	1	1.372	839.5	0.844	25.19
H Fl.	0.312	0.444	0.885	70.17	2.896	0.729	1	612	0.615	18.36
Lira	0.509	0.725	1.446	114.7	4.733	1.191	1.634	1000	1.006	30.01
C $	0.506	0.721	1.439	114.0	4.706	1.185	1.625	994.4	1	29.84
B Fr.	1.696	2.416	4.818	382.1	15.77	3.969	5.445	3332	3.351	100

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

FINANCIAL FUTURES

Bonds firm but gilts fall

IMPROVING sentiment about forthcoming US Treasury auctions, and enthusiasm about a two-year note sale on Wednesday helped dollar-denominated contracts recover from some surprisingly strong US economic figures yesterday. Dealers felt that the recent better performance by the dollar and its rising fortunes against the yen and D-Mark would encourage foreign bying of bonds at the auctions.

December US Treasury bonds opened firm on Liffe at 95-12 and traded around 95-18 to 95-06 ahead of the US economic data. A much larger than expected rise of 4.9 per cent in September US durable goods orders, compared with forecasts of 2 to 2.5 per cent, sent the market falling. Non-defence capital goods orders were very strong at 8.8 per cent, and the December contract fell to a low of 95-06. The increase of 0.3 per cent in the September US consumer price index and a rise of 0.3 per cent in personal income were in line with expectations.

The improvement in sentiment began to reassert itself in later trading and the contract met with strong buying, taking it up to a peak of 96-08, before it closed at 95-27, compared with 94-24 previously.

Eurodollar deposit futures showed a similar trend, falling on the durable goods figures, but recovering on close higher on the day and just below its peak. The December contract opened at 93.99, and rose to 94.02, but fell to a low of 93.97 on the figures, followed by a recovery to a peak of 94.05. It closed at 94.02 compared with 93.94 on Wednesday.

Sterling contracts showed very disappointed reaction to the UK trade figures. The market had generally expected a large improvement over the record trade deficit of £1.49bn in August, and was very depressed by the September shortfall in trade of £877m. December long-term gilts opened firm at 110-24, boosted by a steady pound on the foreign exchanges, and the strength of US bonds. THhe contract was around 111-02 before publication of the trade figures, after touching 111-07. It then fell ¾ point in 10 minutes, and after holding at 109-20, fell again to a low of 109-10, before closing at 109-14, on short covering, against 110-13 previously.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
106	3.54	5.29	0.26	1.59
108	2.26	4.16	0.62	2.46
110	1.21	3.14	1.57	3.44
112	0.41	2.25	3.13	4.55
114	0.17	1.46	4.53	6.12
116	0.06	1.14	6.42	7.44
118	0.02	0.53	8.38	9.19
120	—	0.35	10.36	11.01

Estimated volume total, Calls 632, Puts 342
Previous day's open int, Calls 22,061, Puts 6,130

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
88	7.55	8.17	0.01	1.21
90	5.59	6.54	0.05	1.58
92	4.07	5.36	0.17	2.40
94	2.36	4.29	0.46	3.33
96	1.26	3.32	1.36	4.36
98	0.42	2.45	2.52	5.49
100	0.17	2.03	4.27	7.07
102	0.06	1.34	6.16	8.38

Estimated volume total, Calls 80, Puts 81
Previous day's open int, Calls 773, Puts 1048

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
1525	7.70	11.95	1.85	3.10
1550	6.06	10.30	2.71	3.95
1575	4.64	8.80	3.79	4.95
1600	3.46	7.45	5.11	6.10
1625	2.51	6.25	6.66	7.40
1650	1.77	5.19	8.42	8.84
1675	1.21	4.27	10.36	10.42
1700	1.80	3.48	12.45	12.13

Estimated volume total, Calls 39, Puts 24
Previous day's open int, Calls 261, Puts 255

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Nov.	Dec.	Jan.	Mar.	Puts—Last Nov.	Dec.	Jan.	Mar.
1.35	8.40	8.40	8.40	8.45	0.20	0.40	0.85	1.75
1.40	3.40	3.75	4.10	4.60	0.55	1.35	2.35	3.75
1.45	0.70	1.25	1.70	2.35	2.90	4.00	5.10	6.70
1.50	0.20	0.35	—	1.10	7.50	8.20	—	10.50
1.55	0.20	0.20	—	0.55	12.50	13.05	—	14.90
1.60	—	0.20	—	0.30	—	18.10	—	19.70
1.65	—	0.70	—	1.50	—	18.70	—	20.20

Previous day's open int: Calls 2,278, Puts 962
Volume: 15

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Nov.	Dec.	Jan.	Mar.	Puts—Last Nov.	Dec.	Jan.	Mar.
1.30	12.36	12.36	12.36	12.36	—	0.04	0.29	0.77
1.35	7.36	7.36	7.36	7.36	0.03	0.36	1.07	1.99
1.40	2.57	2.97	3.55	3.65	0.68	1.67	2.86	4.15
1.45	0.40	0.91	1.54	1.81	3.51	4.61	5.85	7.31
1.50	0.02	0.18	0.54	0.78	8.13	8.88	9.85	11.28
1.55	—	0.02	—	0.30	13.11	13.72	—	15.80
1.60	—	—	—	0.10	18.11	18.70	—	20.60

Estimated volume total, Calls 315 Puts 35
Previous day's open int, Calls 2,054 Puts 2,989

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Dec.	Mar.	June	Sept.	Puts—Last Dec.	Mar.	June	Sept.
93.00	1.02	1.03	0.95	—	0.00	0.06	0.16	—
93.25	0.77	0.82	0.76	—	0.00	0.10	0.22	—
93.50	0.54	0.62	0.59	—	0.02	0.15	0.30	—
93.75	0.33	0.45	0.44	—	0.06	0.23	0.40	—
94.00	0.16	0.31	0.32	—	0.14	0.34	0.53	—
94.25	0.06	0.19	0.22	—	0.29	0.47	0.68	—
94.50	0.02	0.11	0.14	—	0.50	0.64	0.85	—

Previous day's open int: Calls 1,313 Puts 1,629
Estimated volume, Calls 40 Puts 104

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Nov.	Dec.	Jan.	Mar.	Puts—Last Nov.	Dec.	Jan.	Mar.
1.30	11.90	11.90	11.90	11.90	—	0.05	0.20	0.75
1.35	7.00	7.00	7.10	7.25	—	0.30	0.85	1.95
1.40	2.35	2.80	3.30	3.80	0.50	1.50	2.40	4.00
1.45	0.30	0.75	1.20	1.90	3.40	4.50	5.65	7.20
1.50	0.05	0.15	0.40	0.80	8.00	8.70	9.60	11.00
1.55	—	0.05	—	0.30	13.00	13.50	—	15.40
1.60	—	—	—	0.10	18.00	18.40	—	20.00

Previous day's open int: Calls 42,580 Puts 86,597
Previous day's volume, Calls 1813 Puts 1180

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	109-14	111-07	109-10	110-13
March	109-17	—	—	110-16
June	109-17	—	—	110-16

Est volume 18,447 (12,698)
Previous day's open int. 15,131 (16,211).
Basis quote (clean cash price of 13% Treasury 2004/08 less equivalent price of near futures contract) −4 to 4 (32nds).

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev.
Dec	96-00	96-50	96-00	96-38
March	96-00	—	—	96-38

Est Volume 44 (531)
Previous day's open int. 1,100 (1,169)

THREE-MONTHS STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Dec.	88.55	88.82	88.54	88.69
March	89.00	89.24	88.98	89.11
June	89.32	89.55	89.31	89.47
Sept.	89.34	89.52	89.34	89.45
Dec.	89.08	—	—	89.19
March	88.84	—	—	88.95

Est Volume 6,662 (3,468)
Previous day's open int. 13,610 (13,432)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec.	158.35	160.50	157.95	160.25
March	161.35	—	—	163.25

Estimated volume 427 (345)
Previous day's open int. 2,775 (2,766)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	prev.
Dec.	94.02	94.05	93.97	93.94
March	93.97	94.00	93.93	93.88
June	93.79	93.81	93.76	93.69
Sept.	93.48	93.51	93.45	93.39
Dec.	93.10	93.10	93.08	93.01
March	92.70	92.68	92.68	92.61

Estimated volume 6,580 (6,632)
Previous day's open int. 26,067 (26,110)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	95-27	96-08	95-06	94-24
March	94-30	95-06	94-17	93-27
June	93-30	—	—	92-27

Estimated Volume 8,717 (7,399)
Previous day's open int. 6,237 (6,486)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec.	96-06	96-14	95-20	95-19
March	95-07	95-17	94-22	94-22
June	94-07	94-15	93-24	93-22
Sept.	93-09	93-15	92-25	92-24
Dec.	—	92-17	92-02	91-28
March	—	91-24	91-05	91-03
June	—	—	—	90-12
Sept	—	90-12	90-12	89-24
Dec.	89-26	89-26	89-26	89-06
March	—	89-10	89-10	88-22
June	—	88-26	88-26	88-08

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec.	94.81	94.83	94.77	94.77
March	94.81	94.83	94.77	94.77
June	—	94.69	94.62	94.62
Sept.	94.40	94.42	94.36	94.36
Dec.	94.06	94.08	94.03	94.02
March	93.70	93.71	93.66	93.66
June	—	93.36	—	93.31

CERT. DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sept.	—	—	—	93.83
Dec.	—	—	—	94.39

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec.	94.04	94.05	93.97	93.99
Mar.	93.98	94.00	93.92	93.94
June	93.79	93.83	93.74	93.75
Sept.	93.49	93.52	93.45	93.45
Dec.	93.12	93.15	93.06	93.07
Mar.	92.71	92.74	92.67	92.67
June	92.33	92.34	92.28	92.28
Sept.	91.41	91.96	91.89	91.90

STANDARD & POORS 500 INDEX (IMM)
$500 times index

	Latest	High	Low	Prev.
Dec.	237.40	238.20	235.65	235.15
March	238.30	239.15	236.65	236.05
June	239.30	0	239.10	237.10
Sept.	240.30	241.00	240.10	238.10

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4240	1.4177	1.4035	1.3881	1.3600

IMM—STERLING $s per £

	Latest	High	Low	Prev
Dec.	1.4215	1.4135	1.4070	1.4210
Mar.	1.3945	1.3960	1.3900	1.4040
June	1.3780	1.3800	1.3780	1.3880
Sept.	1.3625	—	1.3625	1.3745

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec.	1.4130	1.4117	1.4095	1.4220
Mar.	1.3950	—	—	1.4050
June	1.3795	—	—	1.3880

Estimated volume 2 (3)
Previous day's open int 944 (941)

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MONEY MARKETS

Rates rise as UK trade disappoints

INTEREST RATES firmed on the London money market on publication of the September UK trade figures. The trade deficit of £877m and a current account deficit of £277m, although an improvement on August, were disappointing. In early trading three-month interbank eased to 11¼-11⅛ per cent from 11⅜-11¼ per cent, indicating optimism that the balance of payments might be in surplus, but rose on the announcement, and closed at 11⅜-11¼ per cent as sterling weakened against a generally strong dollar and gilts reversed their early gains.

UK clearing bank base lending rate 11 per cent since October 15

The Bank of England initially forecast a money market shortage of £850m, but this was revised to £700m at noon. Total help provided on the day was £542m.

Before lunch the authorities bought £139m bills outright, by way of £8m bank bills in band 2 at 10½ per cent; £97m bank bills in band 3 at 10⅝ per cent; £2m local authority bills in band 4 at 10½ per cent; and £34m bank bills in band 4 at 10½ per cent.

In the afternoon the Bank of England purchased £463m bills outright, through £30m bank bills in band 1 at 10⅞ per cent; £264m bank bills in band 2 at 10⅞ per cent; £12m bank bills in band 3 at 10⅝ per cent; and £157m bank bills in band 4 at 10 11/16 per cent.

Late assistance of £40m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £272m, with Exchequer transactions absorbing £200m, a rise in the note circulation £35m, and bank balances below target £145m.

In Frankfurt call money was slightly firmer at 4.45 per cent, compared with 4.425 per cent. Credit conditions tightened slightly as the West German Bundesbank failed to add further liquidity through disbursements of Government funds via state-owned banks. The central bank added an estimated DM 3bn in liquidity on Wednesday, but did not offer a new securities repurchase agreement to replace DM 4.8bn draining from the market as an earlier agreement expired. As expected the Bundesbank council meeting in Berlin resulted in no change in credit policies.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	7½
Broker loan rate	6¾
Fed. funds	5⅞
Fed. funds at intervention	5 13/16

Treasury Bills and Bonds

One month	5.02	Three year	6.55
Two month	5.19	Four year	7.75
Three month	5.40	Five year	7.85
Six month	5.56	Seven year	7.24
One year	5.76	10 year	7.43
Two year	6.34	30 year	7.74

Oct. 23	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.40-4.50	4.50-4.60	4.50-4.60	4.50-4.65	4.50-4.65	5.5
Paris	7½	7 5/16-7 7/16	7 5/16-7 7/16	7 5/16-7 11/16	7⅝-7¾	7
Zurich	⅞-1⅛	3⅛-3½	—	4-4⅛	—	—
Amsterdam	5 5/16-5 7/16	5⅜-5½	—	5⅜-5½	—	—
Tokyo*	4.34375	4.65375	—	4.84375	—	—
Milan	10⅞-11⅛	10⅞-11¼	—	11-11⅛	—	—
Brussels	6.80	7⅛-7⅜	—	7⅛-7½	—	—
Dublin	12-12¼	13¾-14	13¾-14	14-14¼	14-14¼	—

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct. 23) 3 months U.S. dollars		6 months U.S. dollars	
bid 5 15/16	Offer 6 1/16	bid 5 15/16	Offer 6 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Oct. 23	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11¼-10¾	11-10¾	11¼-11 3/16	11 7/16-11 5/16	11 7/16-11¼	11 5/16-11 3/16
Sterling CDs	—	—	11⅛-11 1/16	11¼-11 3/16	11 5/16-11 3/16	11 5/16-11
Local Authority Deposits	10⅝-10⅝	10¾-10⅝	11⅛-11 1/16	11 5/16-11 3/16	11 5/16-11 3/16	11¼-11⅛
Local Authority Bonds	—	—	11⅛	11 5/16	11 5/16	11½
Discount Market Deposits	11-10	10¾-10½	10¾	10¾	—	—
Company Deposits	—	11	11 3/16	11 5/16	11 5/16	11 5/16
Finance House Deposits	—	—	11⅛	11¼	11¼	11¼
Treasury Bills (Buy)	—	—	10⅞	10⅝	—	—
Bank Bills (Buy)	—	—	10 27/32	10 27/32	10¾	—
Fine Trade Bills (Buy)	—	—	11 13/16	11 13/16	11⅛	—
Dollar CDs	—	—	5.95-5.90	5.90-5.85	5.90-5.85	6.10-6.05
SDR Linked Deposits	—	—	6⅜-6¼	6½-6¼	6½-6¼	6 9/16-6 7/16
ECU Linked Deposits	—	—	7 5/16-7 3/16	7⅝-7½	7 9/16-7 7/16	7½-7⅜

Treasury Bills (sell); one-month 10¾ per cent; three-months 10½ per cent; Bank Bills (sell): one-month 10 27/32 per cent; three months 10 11/16 per cent; Treasury Bills; Average tender rate of discount 10.6928 p.c. ECGD Fixed Finance Scheme IV reference date September 3 to October 7 (inclusive): 10.355 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from October 1, 1986: Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 11 per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-12 months 11 per cent; Under £100,000 11 per cent from October 16. Deposits held under Series 5 11 per cent. Deposits withdrawn for cash 5½ per cent.

$WORLD VALUE OF THE DOLLAR
BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, October 22, 1986. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., London,

ECU=$US1.04805 SDR1=$US1.21749

Eurodollar Libor as of October 22 at 11.00 a.m.
3 months: 6 1/16 6 months: 6 1/16

Sibor as of October 22, at 11.00 a.m.
3 months: 6⅛ 6 months: 6⅛

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60
Albania	Lek	7.0334
Algeria	Dinar	4.63
Andorra	French Franc	6.505
	Spanish Peseta	132.50
Angola	Kwanza	29.918
Antigua	E. Caribbean $	2.70
Argentina	Austral (2)	1.095
Aruba	Florin	1.80
Australia	Dollar	1.5679
Austria	Schilling	13.97
Azores	Portuguese Escudo	146.24
Bahamas	Dollar	1.00
Bahrain	Dinar	0.3769
Balearic Islands	Spanish Peseta	132.50
Bangladesh	Taka	30.30
Barbados	Dollar	2.0113
Belgium	Franc (c)	41.242
	Franc (f)	41.435
Belize	Dollar	2.00
Benin	C.F.A. Franc	325.25
Bermuda	Dollar	1.00
Bhutan	Ngultrum	12.85
Bolivia	Peso (o)	1912000.00
	Peso (f)	1925000.00
Botswana	Pula	1.875
Brazil	Cruzado (o)	14.055
Brunei	Dollar	2.177
Bulgaria	Lev	0.926
Burkina Faso	C.F.A. Franc	325.25
Burma	Kyat	6.9885
Burundi	Franc	100.78
Cameroun Rp.	C.F.A. Franc	325.25
Canada	Dollar	1.391
Canary Islands	Spanish Peseta	132.50
Cape Verde Islands	Escudo	89.2698
Cayman Islands	Dollar	0.835
[illegible]	[illegible]	[illegible]

COUNTRY	CURRENCY	VALUE OF DOLLAR
Gibraltar	Pound*	[illegible]
Greece	Drachma	[illegible]
Greenland	Danish Krone	[illegible]
Grenada	E. Caribbean $	[illegible]
Guadaloupe	Franc	[illegible]
Guam	U.S. $	[illegible]
Guatemala	Quetzal (o)	[illegible]
	Quetzal (h, I)	[illegible]
Guinea Bissau	Peso	[illegible]
Guinea Republic	Franc	[illegible]
	Franc (f)	[illegible]
Guyana	Dollar	[illegible]
Haiti	Gourde	[illegible]
Honduras Republic	Lempira	[illegible]
	Lempira (d)	[illegible]
Hong Kong	Dollar	[illegible]
Hungary	Forint (6)	[illegible]
Iceland	Krona	[illegible]
India	Rupee	[illegible]
Indonesia	Rupiah (4)	[illegible]
Iran	Rial (o)	[illegible]
Iraq	Dinar	[illegible]
Irish Republic	Punt*	[illegible]
Israel	New Shekel	[illegible]
Italy	Lira	[illegible]
Jamaica	Dollar (o)	[illegible]
Japan	Yen	[illegible]
Jordan	Dinar	[illegible]
Kampuchea	Riel	[illegible]
Kenya	Shilling	[illegible]
Kiribati	Australian Dollar	[illegible]
Korea (North)	Won	[illegible]
Korea (South)	Won	[illegible]
Kuwait	Dinar	[illegible]
Laos P'les D Rep.	Kip	[illegible]
Lebanon	Pound	[illegible]
Lesotho	Maloti	[illegible]
[illegible]	[illegible]	[illegible]

COUNTRY	CURRENCY	VALUE OF DOLLAR
[illegible]	[illegible]	[illegible]

n.a. Not available. (m) Market rate *U.S. dollars per National Currency unit. (a) Freemarket central bank. (o) Official rate. (b) Floating Rate. (c) Commercial rate. (d) Freemarket. (e) Controlled. (f) Financial rate. (g) Preferential rates. (h) Non essential imports. (i) Floating tourist rate. (j) Public Transaction Rate. (k) Agricultural products. (l) Priority Rate. (n) Essential imports. (1) Venezuela: For debts incurred prior to February 1983. (2) Argentina, 1 Sep 86: Austral devalued by approx. 2.89%. (3) Poland, 1 Sep 86: Zloty devalued by approx. 19.39%. (4) Indonesia, 12 Sep 86: Rupiah devalued by approx. 31.02%. (5) Ghana, 19 Sep 86: Auction Weekly Forex Auction introduced. (6) Hungary, 23 Sep 86: Forint devalued by approx. 9%. (7) Paraguay 24 Sep 86: Guarani devalued by approx. 25%. (8) Nigeria, 26 Sep 1986: Naira. New two-tier system.
For further information please contact your local branch of the Bank of America.

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102⅛	100⅛	Exch. 13¾pc 1987	100⅛	–⅛	13.21	11.43
100⅝	97⅞	Treas 10¼pcCv '87	99⅞	–⅛	10.30	11.38
98⅛	92⅞	Exch 2½pc 1987	98⅛	.....	2.55	8.95
101⅜	97½	Exch. 10½pc 1987	99⅞	–⅛	10.54	11.28
98⅝	93⅝	Funding 6½pc 85-87	98⅛xd	.....	6.62	10.25
101⅛	96⅞	Treas. 10pc 1987	99⅛	–⅛	10.09	11.26
97⅛	90⅝	Treas 3pc 1987	96⅛	–⅛	3.12	8.56
104⅛	99⅝	Treas. 12pc 1987	100⅛xd	–⅛	11.91	11.21
99⅛	92⅞	Treas 7¾pc 1985-88‡‡	96⅛	–⅛	8.04	10.50
104	96⅛	Exch 10½pc '88	99xd	–⅛	10.61	11.26
102⅝	95⅝	Treas 9¾pc Cv '88	97⅛	–⅛	9.97	11.26
94⅛	86⅝	Transport 3pc '78-88	92⅛	–⅛	3.28	8.58
102⅝	93⅞	Treas. 9½pc '88	97xd	–⅛	9.78	11.21
107⅛	98⅛	Treas 11½pc 1989	100⅛	–⅛	11.45	11.20
103⅝	93⅛	Treas 9½pc Cnv 1989	96⅛	–⅛	9.86	11.21
92⅛	82⅛	Treas 3pc 1989	87⅛xd	.....	3.43	8.56
105⅛	95⅛	Treas 10½pc 1989	98⅛	–⅛	10.69	11.22
104⅛	94⅛	Exch 10pc 1989	97⅛	–⅛	10.30	11.22
107⅛	97	Exch 11pc 1989	99⅝	–⅛	11.07	11.22
93⅛	84⅝	Treas 5pc 1986-89	88⅛	–⅛	5.67	9.70
110⅛	94⅝	Exch 10½pcCv '89	100xd	–1	10.25	10.31
114⅛	103⅛	Treas 13pc 1990‡‡	104⅛	–⅛	12.41	11.16
108⅛	97⅛	Exch 11pc 1990‡‡	99⅛	–⅛	10.94	11.12
113⅛	101⅞	Exch. 12½pc 1990	103⅛	–⅛	12.05	11.16
89⅛	79⅛	Treas. 3pc 1990	83⅛xd	.....	3.60	8.60
100⅛	89⅛	Treas 8¼pc 1987-90‡‡	93⅛	+⅛	8.85	10.55
106⅛	93	Treas. 10pcCv 1990	96⅛xd	–⅛	10.38	11.15
86⅛	76⅛	Exch 2½pc 1990	80⅛xd	+⅛	3.12	8.31
112⅛	99⅛	Treas 11¾pc 1991	101⅛	–⅛	11.55	11.20
94⅛	83⅛	Funding 5¾pc '87-91‡‡	87⅛	–⅛	6.59	9.33
86⅛	79⅛	Treas. 3pc 1991●	79⅛xd	–⅛	3.78	8.60
		Five to Fifteen Years				
110⅝	96⅛	Exch. 11pc 1991	99⅝xd	–⅛	11.06	11.13
118⅛	105⅝	Treas 12¾pc 1992‡‡	106	–⅛	12.03	11.11
107⅝	92⅛	Treas 10pc 1992	95⅛	–⅛	10.38	11.13

Over Fifteen Years

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INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
76½	45	Mitchell Cotts	54½	.....	1.5	♦	3.9	♦
124	81	♯Monks & Crane 10p	114	.....	L2.7	2.9	3.3	13.9
323	210	Morgan Crucible	318	−3	10.5	1.5	3.8	20.8
23½	15½	♯Morris (W) F.A. 20p	16½	.....	—	—	—	—
152	65	Mysse Grp 10p	138	.....	12.63	2.6	2.7	17.8
365	230	♯MMW Computers	248xd	.....	16.0	3.0	3.4	14.1
88	27	Nash Inds	85	−3	10.5	—	0.8	—
*27½	15	Neil & Spencer 10p	15	.....	—	—	—	—
39	28	Newman Inds 10p	34	.....	10.8	1.5	3.3	26.0
134	65	Noble & Lund 10p	106	+1	0.7	4.3	0.9	34.9
65	39	Nolton	51	−4	10.95	7.0	2.6	7.3
150	96	♯Norank Systems 5p	143	.....	ml.5	—	1.5	18.3
286	187	Norcros	224	+2	9.3	2.2	5.8	10.7
195	49	Nu-Swift 5p	190	+5	13.5	2.1	2.6	25.3
£356½	£228	OCE 9pc Cnv 1987-92	£351½	−5	Q9%	—	2.7	—
118	80	Oakwood Grp	88	−3	‡5.0	1.3	‡	12.2
250	185	Office & Elect	198	.....	8.5	2.9	6.1	8.0
183	70	Oldacre 20p	176	.....	♦5.0	♦	4.1	♦
34	26	♯Omnitech 1p	27	.....	—	—	—	—
36	22	♯Optometrics $0.01	24	.....	—	—	—	—
890	500	Oriflame £1	860	.....	124.5	2.1	4.0	16.7
10	5	Ovenstone 12½c	7	.....	g03.25c	1.9	14.5	3.7
142	85	‡PCT Grp 10p	115	.....	d3.2	—	5.8	—
£20½	£13¼	PLM 'B' Sk 25	£19¾	+½	Q23.2%	0.3	3.2	—
195	114	PSM Intl	188	.....	s♦d5.5	2.1	4.2	14.0
255	160	♯Pacer Systems $0.01	180	.....	L03.8%	3.4	1.5	20.0
78	50	♯Pacific Sales 10p	51	.....	3.0	1.4	8.3	12.2
445	246	Parker Knoll 'A'	404	.....	12.0	3.2	4.2	10.6

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p	60	......
Craig & Rose £1	£15	......
Finlay Pkg. 5p	47	......
Holt (Jos) 25p	810	......
IoM Stm. £1	76	......
IRISH		
Fund 11¼% 1988	£96½	......
Nat. 9¾% 84/89	£90⅝	......
Fin. 13% 97/02	£93¾	......
Arnotts	278	......
CPI Hldgs	40	......
Carrol Inds	112	......
Dublin Gas	38	......
Hall (R. & H.)	79	......
Heiton Hldgs	29	......
Irish Ropes	110	+15
Unidare	248	......

"Recent Issues" and "Rights" Page 43 (International Edition Page 33)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Oct 11	Oct 23	Oct 24	Nov 3
Oct 27	Nov 6	Nov 7	Nov 17
Nov 10	Nov 20	Nov 21	Dec 1

*"New time" dealings may take place from 9.00 am two business days earlier.

Trade figures trigger sharp falls in Gilt-edged securities and in share prices

The disclosure of a poor set of UK trade figures for September badly upset London's securities markets yesterday. Government bods fell by three quarters of a point as tremors in the pound revived fears that domestic interest rates will have to rise further in order to protect the UK currency. Share prices also fell sharply in the wake of the gilt-edged sector, although selling was moderate.

By the end of the day, the FT Government securities index was 0.59 down at 82.30. The FT-SE 100 index lost 17.1 to 1,572.5, and the FT Ordinary index 12.5 to 1,249.9.

Both market sectors opened uneasily, with a firmer tone in Tokyo offset to some extent by disappointment with the details of the Opec agreement. A sizable seller of British Petroleum stock spearheaded the retreat in the equity market.

Gilt-edged securities reacted severely to the trade figures announcement. An immediate rise in money market rates drove short-dated gilts down, and the longer dates also saw selling. The sales came mostly from professional traders who had been tempted back into gilts by the relative firmness of the pound since the one-point increase in UK bank base rates.

Some bitterness was expressed towards the Chancellor of the Exchequer, whose confident speech at the Mansion House seemed in contrast with the gloomy image conjured by the latest trade deficit.

"We are back to where we were ten days ago," said one dealer.

With the exception of some initial firmness in Japanese issues, London equity markets were easier from the opening. Losses were sharply extended as the gilt-edged market plunged, and there was no recovery. However, turnover was noticeably restricted by unwillingness to open positions ahead of Monday's Big Bang operation. Many head dealers were locked away in meetings with senior executives as the new trading firms braced themselves for Monday morning.

Granada gave up a few pence as Rank Organisation confirmed that it had sold the stake acquired during its abortive bid move against the television group. But neither Granada nor Salomon Bros, the US investment house, would comment on suggestions that some of the Rank stake may have been included in the 10.6m Granada shares taken as a "bought deal" by Salomon last week.

The Rank announcement was good for the new shares in Mecca Leisure, offered-for-sale at 135p, which closed last night at 144p, because of rumours that Rank will use its Granada shares cash to buy Mecca.

Mercury below best

Early interest in the banking sector centred upon UK merchant banking conglomerate, Mercury International, which touched 370p before easing back to close 5 up at 360p following Mr Saul Steinberg's surprise revelation that he intends to seek greater control of the group by raising his stake to more than 15 per cent. Other merchant banks usually showed to good advantage with Brown Shipley, in which Kredietbank SA Luxembourgeoise holds a 25.5 per cent stake, 10 higher at 553p following acquisition details. Hill Samuel rose 4 at 360p and Kleinwort Benson put on 15 at 515p. Elsewhere, speculative buying in the wake of the satisfactory interim results lifted Equity and General 1½ to 32p; Mr Clive Mattock and associates hold a sizeable stake in the company. In Discount Houses, Gerrard and National gave up 7 at 267p following the interim statement.

Composites held the previous day's good gains which came in reply to a favourable Phillips and Drew circular. GRE added 5 afresh at 819p as did Sun Alliance at 702p. Life issues came on offer. Legal and General lost 9 more at 226 and Prudential dipped 10 at 757p.

TSB continued to drift lower in the absence of any worthwhile buying interest and settled 1½ cheaper at 80½p.

An otherwise drab session in the Building sector was enlivened by renewed speculative demand for Blue Circle which firmed 5 to 610p on Australian takeover hopes. Recently oversold George Wimpey picked up from an initial dull level of 172p to close unchanged at 175p as a line of stock was cleared. Redland, interim figures due at the end of the month, slipped a couple of pence to 384p, but Cement Roadstone made further progress to close 3 better at 111p. AMEC came under late selling pressure and closed 10 down at 248p, while John Mowlem gave up 6 at 350p. F. J. C. Lilley continued to trade nervously amid reports that the company is in financial difficulties and dipped to 19p before steadying up to close 2 lower on balance at 24p. On the other hand, Thomas Warrington gained 7 more to 102p on takeover hopes and Feb International A rose 6 to 68p in reply to the interim profits recovery.

A lack-lustre Chemical sector showed ICI ⅛ off at £10⅞. Foseco, agood market on Wednesday reflecting takeover hopes, came back 13 to 245p in the absence of any developments.

Quest Auto better

Interest in the Store sector was at an extremely low ebb. Potential investors remained on the sidelines ahead of Monday's big bang day and it was left to persistent small sellers to depress share prices. Burton, 10 down at 264p, led the retreat of the leaders, where Storehouse relinquished 5 at 300p and Gussies A shed 15 at 980p. Elsewhere, French Connection lost 5 more to 200p in a restricted market following the poor interim figures. Among Shoe concerns, Garnar Booth closed 12 down at 178p; the bid from Strong and Fisher has been extended to November 6.

Features were few and far between in Electricals. Quest Automation advanced 7 to 57p on buying ahead of today's annual general meeting. Lec Refrigeration, still reflecting Bosch stakebuilding rumours, firmed 5 at 268p, while Kewill Systems improved a few pence at 58p and Tunstall Telecom put on 5 at 275p. Pressac touched 143p in initial response to the annual results before reacting to finish a couple of pence easier on balance at 136p. Atlantic Computer fell 5 to 225p and CAP lost 8 at 165p. The leaders closed with minor losses. British Telecom cheapened 2 to 180p as did Racal to 160p.

Hawker, still reflecting the acutely disappointing interim statement, reacted 8 further to 407p for a two-day fall of 40. Other leading Engineers settled only a shade easier on the day. Elsewhere, Thomas Locker issues featured among smaller-priced issues, the Ordinary rising 8 to 36p and the A 6 to 33p amd talk of a bid from Simon Engineering; the latter, subject to takeover speculation during the previous day's trading session, came back 10 to 253p. Satisfactory preliminary figures left McKechnie 3 better at 236p, after 238p, but W. A. Tyzack gave up 6 to 70p on news that the talks with Tyzack Turner had been terminated. Braithwaite, a limited market, met with revived speculative demand and put on 23 to 153p, while Birmid, an old takeover favourite, improved 5 to 128p. Neepsend closed a shade lower at 29p after the annual meeting.

Dealers reported a slow day's trading in the Food sector and the majority of leading issues finished easier reflecting lack of support and end-Account influences. Losses of 9 were common to Tate and Lyle, 551p, and Rowntree Mackintosh, 391p, while Cadbury Schweppes slipped 3 to 185p. Northern Foods lost 4 at 274p, but Unigate bucked the trend and closed 5 better at 302p; the interim results are due next month. Secondary issues highlighted Bernard Matthews which surged forward to close 27 higher at 268p following news of a Canadian marketing agreement.

Beecham Weaken

Beecham led the retreat in the miscellaneous industrial leaders, closing 10 cheaper at 415p. Glaxo gave up a similar amount at 930p, while Pilkington Bros, the subject of persistent bid rumours recently, drifted back to finish 5 cheaper at 483p. BTR gave up 5 at 283p. Reed International, scheduled to reveal interim figures next Wednesday, closed 10 down at 341p. Elsewhere, F. H. Tomkins featured a fall of 20 to 283p following reports that 600,000 shares had been put through the market at around 278p per share. Thomson T. Line moved up 17, in a restricted market, to 308p on expansion hopes, but London and Northern eased 1½ to 77¼ after the interim figures. Sater closed 7 cheaper at 215p; it was announced yesterday that Mr J. D. Abell, chairman and chief executive, had sold 542,500 ordinary shares at 216p per share. News of the proposed acquisition of Kidde General Fire enlivened interest in Nu-Swift which touched 193p before settling 5 firmer on balance at 190p. Asset injection hopes left Regal Pelepah 9 to the good at 43p, but speculative interest faded in Brammer, which came back 5 to 288p. Lilleshall eased a similar amount to 165p. Other dull spots included De La Rue, 10 off at 305p, and AGB Research, 8 lower at 149p.

Jaguar were unaffected by reports of a rush to buy its next XJ model and went lower with other blue chips to close 10 down at 503p. Lex Service similarly failed to respond to acquisition news and lost 7 further to 302p; negotiations are at an advanced stage for the the purchase of Cargill's Tennant Electronics business in the US and Cargill Electronics' activities in the UK. Lex intends to finance the transaction from existing resources. T. Cowie benefited from a flurry of buying which began late on Wednesday and raced up to 189p before settling a net 5 higher at 184p; it was suggested that the group could be ready to sell its financial division.

Haynes Publishing ran into small demand and put on 8 at 308p but BPCC retreated 5 to 258p. Advertising Agencies featured weakness in Davidson Pearce which, following this week's agreed merger with USM-listed Counter Products Marketing, ended 9 down at 136p. Saatchi and Saatchi came under renewed pressure and fell 20 to 585p.

Property Holding and Investment firmed 3 to 171p, after 180p, following details of an agreed merger with Wingate, to be effected by a recommended share-exchange offer with cash alternative of 165p per share from the latter which values PHIT at some £153m. Wingate eased to 400p prior to closing 15 lower at 410p. Elsewhere in the Property sector, Land Securities revived strongly on vague takeover hopes to close 6 better at 328p, but Hammerson A lost 10 to 420p on second thoughts about the interim results. Property and Reversionary attracted buyers at 238p, up 8, as did London Provincial Shop, the same amount higher at 263p.

British and Commonwealth lost 10 to 303p, being influenced more by the general equity market tone than the interim results. Milford Docks improved 2 to 64p and after-hours it was announced that former chairman C. A. V. Smith had increased his holding to 6.6 per cent of the company.

Smith New Court, the independent financial services group, continued this week's recovery to close 5 up at 176p. Encouraging comment on Wednesday's preliminary statement helped International City move 5 higher to 178p, while Hunting Group put on a like amount at 118p.

Oils easier

A reassessment of the latest Opec agreement by traders—production is to be limited to approximately levels ruling at present—prompted profit-taking among the oil majors. British Petroleum drifted back to close 15 lower at 658p and Shell lost 12 to 911p. Britoil, a particularly firm market recently, came back 5 to 135p and LASMO gave up 6 to 120p. IC Gas encountered light profit-taking pending any further bid developments and closed 3 cheaper at 570p.

News letter "buy" recommendations touched off fresh support of Overseas Traders. Paterson Zochonis rose 5 to 245p and Harrisons and Crosfield reached 430p before a burst of profit-taking brought the latter back to 420p for a net loss of 6.

South African mining markets remained very much a backwater. Political considerations again appeared to stifle US interest in top-quality Golds, and although dealers reported late support from Cape sources, share prices in sterling terms still closed around the session's lowest levels.

Activity was also hindered by another disappointing showing by bullion which traded within narrow limits before settling $1 up at $424.75 an ounce. Randfontein declined over 2 points to £59, while Western Deep fell 1¼ to £24⅛. Among the smaller-priced Golds, Kloof were hardest-hit and dipped 51 to 475p, while Freegold, 716p, and Elandsrand, 405p, eased 30 and 23 respectively. The FT Gold Mines index fell 9.4 to 277.2.

Leading Platinum producers also gave ground as the metal was fixed during the afternoon some $14 lower at $581.50 an ounce. Both Rustenburg and Impala fell 15 to 705p.

Financials continued to mirror Golds. Anglo American Corporation dipped 55 to 900p, with "Amgold" ¾ lower at £49⅞. De Beers eased 10 to 505p despite a "buy" recommendation from brokers L. Messel. London-registered counters again reacted to sporadic profit-taking with RTZ and Consolidated Gold Fields down 5 apiece to 654p and 659p respectively.

Initial support for overnight Sydney and Melborune markets was nipped in the bud following the 2.6 per cent rise in the Australian consumer price index for September. The figure—at the upper end of estimates—prompted eventual modest losses in leading diversified counters. London operators were also reluctant to establish new positions and CRA, 346p, and Peko-Wallsend, 295p, eased 4 apiece, while Bougainville fell 6 to 137p. As on Wednesday, Renison bucked the trend and put on 13 for a two-day advance of 40 to 404p following the publication of the annual report.

Golds trended firmer for choice. Central Norseman, 708p, and Gold Mines of Kalgoorlie, 678p, rose 13 and 15 respectively. ACM, on the other hand, eased a few pence to 199p, while Cultus Resources, marked sharply higher recently in the wake of the conditional placing of equity with New Zealand's Horizon Oil, encountered occasional offerings and ran back 5 to 26p.

Tins made limited progress in extremely thin trading on reflection of the rectu strength of the spot metal price which recently rose above £4,000 for the first time in seven months. Mlaysia Mining, buoyant in Kuala Lumpur, advanced a few pence more to 37p, while Gopeng put on 10 to 55p and Sungei Besi hardened 5 to 85p.

Quieter conditions in London equities were fully reflected by Traded Options. Total contracts transacted amounted to 18,981—well short of the previous session's 31,699. The FT-SE index, however, attracted sizeable business wth 1,156 calls and 2,334 puts done. Elsewhere, operators returned for positions in Hanson Trust and Cadbury Schweppes which recorded 1,376 and 1,645 calls respectively. TSB attracted 911 calls and 1,037 puts.

Traditional Options

- First dealings Oct 20 Nov 3 Nov 17
- Last dealings Oct 31 Nov 14 Nov 28
- Last declaration Jan 22 Feb 5 Feb 19
- For Settlement Feb 2 Feb 16 Mar 2

For rate indications see end of Unit Trust Service

Stocks favoured for the call included Polly Peck, Lysander, Blackwood Hodge, Norcros, F. J. C. Lilley, Thomas Locker, Inoco, Fergabrook, Brammer, Abaco, LCP, Conroy, Bristol Oil and Minerals, Whim Creek, Amstrad, J. E. England, Alfred Walker, Systems Designers, Sears, Kennedy Brookes, TSB, Tricentrol and Guinness Peat. No puts were reported, but a double option was done in TSB.

FINANCIAL TIMES STOCK INDICES

	Oct. 23	Oct. 22	Oct. 21	Oct. 20	Oct. 17	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	82.30	82.89	82.56	82.26	84.36	84.35	94.51 (18/4)	80.39 (26/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.75	89.02	88.94	88.89	88.84	90.35	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,249.9	1,262.4	1,265.2	1,264.4	1,281.5	1,051.6	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	277.2	286.6	290.5	288.9	298.2	262.5	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.46	4.41	4.40	4.40	4.35	4.59				
Earnings Yld.%(full)	10.28	10.15	10.11	10.13	10.02	11.23				
P/E Ratio (net) (*)	11.93	12.08	12.12	12.10	12.02	10.99				
Total Bargains (Est.)	24,743	25,500	25,235	25,960	28,380	22,052				
Equity Turnover £m.	—	616.10	531.51	675.89	822.97	472.88				
Equity Bargains	—	30,890	35,732	44,253	49,091	24,346				
Shares Traded (ml)	—	319.9	284.9	381.53	476.8	239.5				

S.E. ACTIVITY

Indices	Oct. 22	Oct. 21
Gilt Edged Bargains	115.4	111.9
Equity Bargains	200.3	251.0
Equity Value	1245.3	1074.3
5-Day Average		
Gilt Edged Bargains	114.9	120.4
Equity Bargains	281.3	314.3
Equity Value	1320.3	1330.1

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1261.0	1259.5	1259.7	1258.0	1255.0	1251.6	1251.4	1250.4

Day's High 1261.0. Day's Low 1249.9.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.45.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Abbey Life	183	−4	Imp. Cont. Gas	570	−3
Cowie (T.)	184	+5	Jaguar	503	−10
Foseco Minsep	245	−13	Lilley (F. J. C.)	24	−2
French Connection	200	−5	Locker (T.)	36	+8
GKN	256	−3	Mecca Leisure	144	—
Hawker Siddeley	407	−8	Mercury Intntl.	124	+7

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Wed's close	Day's change	Stock	No. of changes	Wed's close	Day's change
Hawker Sidd.	24	415	−32	Cons. Gold Flds.	14	664	−8
Imp. Cont. Gas	21	573	+20	Glaxo	13	940	−7
Lilley (F.J.C.)	18	26	−16	Britoil	12	140	−3
Harrison & C'sfld.	16	426	+21	Grand Met.	12	435	−11
Systems Design.	15	50	−26	ICI	12	£10⅞	—
TSB (50p paid)	15	82	−½	Sears	11	127	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	101	8
Corporations, Dom., and Foreign Bonds	2	25	41
Industrials	199	374	948
Financial & Properties	98	94	384
Oils	20	34	58
Plantations	—	2	10
Mines	38	72	70
Others	81	53	74
Totals	444	756	1,592

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (43)

[illegible]

NEW LOWS (21)

[illegible]

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Thursday October 23 1986

[illegible]	[illegible]

FIXED INTEREST

[illegible]	[illegible]

LONDON TRADED OPTIONS

[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]	[illegible]

BASE LENDING RATES

[illegible]	[illegible]

WORLD STOCK MARKETS

AUSTRIA

Oct. 23	Price Sch	+ or —
Creditanstalt pp	2,270	—20
Goesser	3,230	....
Interunfall	13,000	+100
Jungbunzlauer	12,000	....
Laenderbank	2,345	+5
Perlmooser	630	—10
Steyr Daimler	157	—1
Veitscher Mag	11,039	—1

BELGIUM/LUXEMBOURG

Oct. 23	Price Frs.	+ or —
B.B.L.	3,020	+10
Banq. Gen. Lux.	16,300	....
Banq. Int. A.Lux.	16,100	....
Bekaert	10,300	—125
Ciment CBR	3,680	....
Cockerill	151	+5
Delhaize	3,150	....
EBES	4,515	+25
Electrobel	14,925	....
Fabrique Nat.	2,000	+70
GB Inno BM	7,800	....
GBL (Brux)	3,700	—10
Generale Bank	5,750	—140
Gevaert	6,050	—40
Hoboken	7,580	+130
Intercom	3,625	+25
Kredietbank	16,000	....
Pan Hldgs.	10,850	—150
Petrofina	9,380	—30
Royale Belge	28,800	+100
Soc. Gen. Belge	2,970	—5
Sofina	10,850	....
Solvay	7,920	+10
Stanwick Intl.	250	....
Tractionel	6,050	—30
UCB	6,600	+70
Wagons Lits	5,330	....

DENMARK

Oct. 23	Price Knr %	+ or —
Andelsbanken	335	....
Baltica Skand.	645	....
Cop Handels'nk	261	....
D. Sukkerfab	378	—7
Danske Bank	286	—1
De Danske Luft.	1,970	+20
East Asiatic	182	—1
Forenede Brygg.	1,050	—10
Forenede Damp.	188	—6
GNT Hld	345	—14
[illegible]		

GERMANY

Oct. 23	Price Dm.	+ or —
AEG	320	+6
Allianz Vers	2,095	+26
BASF	268	+4.4
Bayer	295.5	+1.4
Bayer-Hypo	557	+1
Bayer-Verein	507	—6
BHF-Bank	510	+9
BMW	579	—5
Brown Boveri	310	+13
Commerzbank	302	—1.8
Cont'l Gummi	318.5	+2.5
Daimler-Benz	1,221	+12
Degussa	487.5	+3.5
D'sche Babcock	193	—1
Deutsche Bank	771.5	+9.5
Dresdner Bank	385.5	+4
Feld-Muehle Nbl	285	—1
Henkel	482	+1
Hochtief	1,088	+19
Hoechst	254.3	+2.1
Hoesch werke	134.6	+2.4
Holzmann (P)	545	—2
Horten	236.5	+1.5
Hussel	621	+7
Karstadt	468.2	+4.2
Kaufhof	510	—4
KHD	196.5	+1.5
Kloeckner	72.5	+1.3
Linde	815	+8
Lufthansa	185	+1
MAN	226	+4
Mannesmann	170	+3
Mercedes Hld	1,106	....
Metallgesell	515	+8
Muench Rueck	2,195	—3
Nixdorf	709	+2
Porsche	995	+10
Preussag	213.5	—1.5
Rhein West Elect	220	+5
Rosenthal	408	....
Schering	599	+1
Siemens	682	....
Thyssen	155.2	+2.2
Varta	373	—2
Veba	282	+0.5
V.E.W.	151	—1
Verein-West	475	....
Volkswagen	471	+0.5

ITALY

Oct. 23	Price Lira	+ or —
Banco Com'le	23,950	....
Bastogi-IRBS	735	—7
Centrale	3,370	....
[illegible]		

NORWAY

Oct. 23	Price Kroner	+ or —
Bergens Bank	176	—1
Borregaad	355	....
Christiana Bank	200	—3
Den Norske Cred.	164.5	—1.0
Elkem	104	....
Kosmos	146	....
Kvaerner	170	....
Norcem	125	+4
Norsk Data	216	—1
Norsk Hydro	143	+1
Storebrand	284.5	+2.0

SPAIN

Oct. 23	Price Pta %	+ or —
Bco Bilbao	1,145	—9
Bco Central	690	—10
Bco Exterior	390	—1
Bco Hispano	461	....
Bco Popular	1,190	—20
Bco Santander	859	....
Bco Vizcaya	1,440	—15
Dragados	420	+4
Hidrola	114.2	—1.5
Iberduero	160.5	+1.0
Petroleos	353.5	+9.5
Telefonica	176.7	+1.7

SWEDEN

Oct. 23	Price Kroner	+ or —
AGA	185	+1
Alfa-Laval B	297	+5
ASEA (Free)	345	....
Astr (Free)	515	+2
Atlas Copco	209	....
BeijerA.B.	190	+2
Cardo (Free)	305	....
Cellulosa	276	+1
Electrolux B	314	+4
EricssonB	259	+4
Esselte	135	+2
Mo och Domsjo	270	+5
Pharmacia	189	+1
Saab Scania Free	700	+5
Sandvik	162	+2
Skandia	137	+4
SKF	342	+1
StoraKopparbrg	292	—3
Swedish Match	425	+7
Volvo B (Free)	370	+3

SWITZERLAND

[illegible]

AUSTRALIA (continued)

Oct. 23	Price Aust. $	+ or —
Gen. Prop. Trust	2.65	+0.02
Hardie (James)	3.85	+0.04
Hartogen Energy	2.48	+0.03
Herald W'yTimes	7.65	....
ICI Aust.	2.7	—0.05
Industrial Equity	6.30xr	....
Jimberlana F.P.	0.36	—0.02
Kia Ora Gold	0.19	....
Kidston Gold	8	....
Lend Lease	10.2	....
MIM	2.45	—0.03
Mayne Nickless	3.2	—0.05
Nat. Aust. Bank	5.3	—0.08
News	35.8	—0.8
Nicholas Kiwi	3.85	....
Noranda (P.P/pd)	1.96	+0.11
North Broken Hill	2.7	—0.02
Oakbridge	0.81	—0.04
Pacific Dunlop	3.5	+0.02
Pancontinental	2.8	—0.05
Pioneer Conc.	2.88	—0.07
Placer Pacific	3.18	....
Poseidon	4.6	+0.05
Queensland Coal	1.9	—0.03
Reckitt & Colman	6.4	+0.04
Repco	2.55	....
Santos	4.32	+0.02
Smith Howard	4.95	—0.15
Thos. Natwide	3.59	—0.07
Tooth	6.66	....
Vamgas	2.8	+0.05
Western Mining	4.78	—0.07
Westpac Bank	4.6	—0.04
Woodside Petrol.	1.1	—0.02
Woolworths	3.6	....
Wormald Intl.	4.4	+0.05

HONG KONG

Oct. 23	Price H.K.$	+ or —
Bank East Asia	20.4	+0.1
Cathay Pacific	5.75	....
Cheung Kong	32.7	—0.05
China Light	20.7	+0.3
Evergo	0.57	—0.01
Hang Seng Bank	34.5	—0.25
Henderson Land	3.55	+0.15
HK China Gas	16.6	—0.1
HK Electric	10.2	....
HK Kowloon Wh.	8.5	—0.05
HK Land	6.15	+0.1
HK Shanghai Bk.	8	+0.15
[illegible]		

JAPAN (continued)

Oct. 23	Price Yen	+ or —
MHI	431	+28
Mitsui Bank	1,070	....
Mitsui Co	522	+30
Mitsui Estate	1,600	+50
Mitsui Toatsu	280	+8
Mitsukoshi	1,040	+20
NGK Insulators	880	+45
Nikko Sec	1,300	+70
Nippon Denso	1,610	+20
Nippon Elect	2,100	+90
Nippon Express	940	+1
Nippon Gakki	1,550	+20
Nippon Kogaku	870	+30
Nippon Kokan	210	....
Nippon Oil	1,240	+70
Nippon Seiko	485	+15
Nippon Shimpan	955	+24
Nippon Steel	164	—3
Nippon Suisan	400	+10
Nippon Yusen	375	+5
Nissan Motor	540	+6
Nisshin Flour	735	+4
Nomura	2,680	+300
Olympus	1,090	+50
Onoda Cement	440	+10
Orient Finance	970	—10
Orient Leasing	3,110	+60
Pioneer	2,370	+160
Ricoh	962	+62
Sankyo	1,130	+20
Sanwa Bank	1,310	....
Sanyo Elect	382	....
Sapporo	1,100	+10
Sekisui House	1,380	+10
Seven Eleven	7,730	+30
Sharp	968	+47
Shimizu Constn	635	+25
Shionogi	1,170	+20
Shiseido	1,800	....
Showa Denko	308	+12
Sony	3,500	+370
S'tomo Bank	1,770	—30
S'tomo Chem	350	+18
S'tomo Corp	860	....
S'tomo Elect	1,690	+70
S'tomo Metal	139	+2
Taisei Corp	765	+45
Taisho Marine	750	+26
Taiyo Kobe Bank	578	+6
Takeda	1,930	+110
TDK	4,170	+440
Teijin	640	+21
Toa Nenryo	1,440	+10
Tokai Bank	1,030	....
Tokio Marine	1,390	+50
Tokyo Elect Pwr.	6,650	+470
[illegible]		

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

FRANCE

[illegible]

NETHERLANDS

[illegible]

AUSTRALIA

[illegible]

JAPAN

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices October 23

[illegible]

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices October 23

[illegible]

Total Sales 3,013,036 shares

Indices

NEW YORK—DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

TORONTO

[illegible]

AUSTRALIA, AUSTRIA, BELGIUM, DENMARK, FRANCE, GERMANY, HONG KONG, ITALY, JAPAN, NETHERLANDS, NORWAY, SINGAPORE, SOUTH AFRICA, SPAIN, SWEDEN, SWITZERLAND, WORLD: [illegible]

** Saturday October 18: Japan Nikkei (c). TSE (c).

Base values of all indices are 100 except Brussels SE—1,000. JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 43

[illegible]

Stock		Sales (Hlds)	High	Low	Last	Chng
Quanxm		9 1141	17	16½	16¾	— ¼
Quixtes		242	11½	11	11¼	— ¼
R R						
RPM	.72	20 407	20⅞	20½	20⅞	+ ⅛
RadSys		10 41	9⅛	9	9	— ⅛
Rainer	1.08	10 574	33⅜	31⅞	33⅛	+ ⅞
RayEn	.24	15 29	30¼	30	30	— ¼
Readng		21 46	24¼	24⅛	24⅛	
Reboks		11 3421	24½	23¾	24½	+ ½
Reeves		21 432	8¼	8	8¼	+ ⅛

Stock		Sales (Hlds)	High	Low	Last	Chng
SoftwA		13 341	15⅛	14⅞	15	+ ¼
SonocP	.80e	15 207	36¼	35½	36	— ¼
SoundW		13 101	19¼	18¼	19¼	+ ¾
SthdFn	.52	499	26⅞	25¾	26	— 1
Soutrst	.68	10 66	21¾	21½	21½	
Sovrgn	.10	47 358	7⅛	6⅞	7	
Sovran	1.36	9 437	34⅝	34⅛	34½	+ ¼
Speedys		21 829	17	16½	17	+ ½
SpecCtl	.07	17 117	10	9¾	9⅞	+ ⅛
StarStr		66 107	10¾	10⅜	10⅜	— ⅛

Stock		Sales (Hlds)	High	Low	Last	Chng
UnNatl	1.14	13 26	36	35	36	+ 1
UnPlntr		15 50	38¼	37¾	37¾	
UnWarn		16 189	26½	25¾	26⅛	+ ½
UACms	.04	35 1560	17⅛	17	17	
UBArtz	.72	15 708	32¼	32⅛	32⅛	
UBWshs		8 48	31¾	31½	31¾	
UBCol	1.06	8 1178	26⅜	24⅞	25⅝	+ ⅛
UCarBc	1.04	11 60	31¼	30¾	31	+ ¼
UCtyGs	1.60	14 11	27¼	26⅞	27¼	+ ⅜
UFireCs	.80	18 76	29¼	28½	29	+ ¾

Stock		Sales (Hlds)	High	Low	Last	Chng
Wyse		11 1461	15½	14⅝	15⅛	+ ¼
X Y Z						
XLData		13 25	17¾	17½	17½	— ½
Xicor		964	4¾	4⅝	4¾	
Xidex		28 4419	14⅜	13⅞	14⅛	— ¼
Xyvsn		156 61	12¾	12½	12½	— ¼
YlowFs	.62	15 1518	40½	39⅝	40½	+ 1⅛
ZenNtl	.80	20 66	24	23½	23½	— ¼
ZionUt	1.44	11 10	46¼	45¾	45¾	
Zondvn		114 961	28⅜	27⅛	28⅜	+ 1¼

LONDON Chief price changes (in pence unless otherwise indicated)

RISES		
Blue Circle	610	+ 5
Bogod-Pelepah	43	+ 9
Cowie (T)	184	+ 5
Intn City Hldgs.	178	+ 5
Locker (T.)	36	+ 8
Matthews (B.)	268	+27
Paterson Zochon	245	+ 5
Quest Automation	57	+ 7
Smith New Court	176	+ 5
Thomson T-Line	308	+17
Warrington (T.)	102	+ 7

FALLS		
Exch. 11pc '89	£99⅝	— ⅜
Exch. 12pc 99/02	£105⅝	— ⅞
Anglo Am Corp.	900	—55
Beecham	415	—10
Brit. & Commonw	303	—10
BP	658	—15
Burton	264	—10
Cultus Resources	26	— 5
Davidson Pearce	136	— 9
Foseco Minsep	245	—13
Harris & Crosfield	420	— 6
Hawker Siddeley	407	— 8
Jaguar	503	—10
Lex Service	302	— 7
Reed Intl.	241	—10
Saatchi & Saatchi	585	—20
Shell Transport	911	—12
Simon Enginrng	253	—10
Tomkins (F.H.)	283	—20

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	14⅝	AAR s	.44	1.9	17	168	23⅛	22⅞	23⅛	
30	21¾	ADT	.92	3.4		199	27	26⅛	27	+1
33	13½	AFG s	.08l	.3	14	83	28⅝	28¼	28⅝	+⅛
25⅞	13⅞	AGS			14	613	21½	20	21½	+1¾
15	8¾	AMCA			24	9⅝	8	9¼	9¼	−½
62⅛	38	AMR			14	5601	60⅛	58	60⅛	+1¾
27½	23¼	ANR pf2.67		10		3	26⅛	26	26	−¾
24	19⅝	ANR pf2.12		9.1		3	23¼	23¼	23¼	+½
13⅜	8¾	APL			6	5	13	12⅞	13	+⅛
16¾	10	ARX	.71t	6.4	10	14	11⅛	10⅞	11⅛	+¼
41½	28¾	ASA	2a	5.5		1028	36⅞	35⅝	36¼	−¾
18⅜	9¾	AVX		3.0		101	10⅞	10¼	10½	−¼
32	23⅞	AZP	2.72	9.2	8	3342	29½	29¼	29½	+⅛
55	28	AbtLb s	.84	1.9	20	4565	45	43¾	44¾	+¾
32	22½	AccoWd	.58	2.2	17	4	26	26	26	
14⅞	9	AcmeC	.40	3.6		35	11¼	11	11¼	+¼
9½	6¼	AcmeE	.32b	5.0	16	28	6⅝	6⅝	6⅝	
22⅞	17¼	AdaEx	1.90e	9.3		54	20⅝	20¼	20½	+¼
33⅜	17⅜	AdmMl	.40	1.6	12	16	25	24¾	25	+⅜
20⅜	12⅛	AdvSys	1.45t	10.	13	55	14½	14⅛	14⅛	+⅛
32⅞	12⅞	AMD				2384	14⅝	13½	14¼	+1
12⅝	5⅜	Adobe n				73	6⅛	6	6⅛	+⅛
18⅝	13¾	Adob pf	1.84	12.		3	15⅛	15⅛	15⅛	+⅛
20¼	15¼	Adob pf	2.40	13.		90	17⅞	17¾	17⅞	−⅛
18⅜	7⅜	Advest	.12a	.9	10	188	13⅛	12¾	12⅞	−¼
66¼	46⅞	AetnLf	2.64	4.7	9	1926	56⅝	55½	56¼	+¾
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 41

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
72¼	47⅞	Xerox	3	5.5	12	1067	55⅛	54⅛	54⅞	+⅛
58¼	54	Xerox pf5.45		9.8		440	57	56¼	56½	
26¾	20⅝	XTRA	.64	2.7		165	23½	23¼	23½	+¼
18¾	13½	Yorkin n				158	18¼	17⅞	18⅛	−⅛
39	27	ZaleCp 1.40		4.4		405	32⅛	31¾	32	
9½	2⅜	Zapata .03j				233	2⅝	2½	2⅝	−⅛
43⅞	20¾	Zayre s	.32	1.3	16	9213	25⅜	24	24⅜	+⅝
17	9¾	Zemex	.40	3.6	12	34	11½	11⅛	11¼	−⅛
29⅞	16¼	ZenithE				629	19⅝	18⅞	19⅜	+⅜
18¼	8	ZenLb s			12	1048	9	8⅝	9	+⅛
22⅝	12⅜	Zero s	.28	1.9	15	45	14⅞	14¾	14⅞	+⅛
45¾	32¾	Zurnin 1.32		3.5	15	462	38¼	37⅝	38	+½
10⅝	9⅞	Zweig n				585	10⅛	10	10⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 41

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Earnings offer focus for rally

WITH HELP from rallying bond markets and some good earnings reports, stock prices rose strongly in moderately active trading on Wall Street yesterday, *Roderick Oram writes in New York.*

Bond markets took in their stride the unexpectedly large rise in durable goods orders, taking their tone instead from a firmer dollar and weaker oil prices.

The Dow Jones industrial average closed up 26.58 points at 1,834.93 while the New York Stock Exchange composite index rose 1.58 points to 137.76. Trading volume expanded to 151.89m shares from 114m on Wednesday with advancing shares outpacing declining by a margin of better than two to one.

Among the blue chips, Allied Signal rose $¾ to $40⅝, Eastman Kodak gained 1⅛ to $58⅞, IBM was up $1⅛ to $121⅞, Philip Morris advanced $1⅛ to $72¼ and American Express gained $½ to $57⅞ and USX fell $1 to $25⅛.

Market news was dominated by third quarter results which have brought strong gains from some companies in sectors such as property and casualty insurance, chemicals and forest products.

Buy programmes helped push up prices and volume during the afternoon.

Carmakers were ahead with a marked pick-up in early October sales compensating for poor results from two of the big three. General Motors, boosted by an analyst's buy recommendation despite its profits downturn, gained $1⅞ to $70¾. Ford rose $3⅜ to $59⅜ after reporting a near doubling of quarterly profits to a record. Chrysler's lower profits were as expected and its shares rose $1 to $37⅞.

Among chemical companies, Du Pont, with a 25 per cent rise in quarterly earnings, gained $2 to $82⅜. Celanese rose $3⅝ to $213 on profits of $4.37 a share against $3.73. Dow was up $⅝ at $53⅞.

Chubb confirmed the generally better earnings by property casualty insurance companies with a near quadrupling of profits. Its shares rose $⅛ to $69⅝. Fireman's Fund, also strongly ahead, gained $⅝ to $38⅜. Aetna was up $⅝ to $56¼ and Cigna gained $¼ to $54⅝.

Standard Oil joined the group of oil majors turning in lower profits with a third-quarter net of 22 cents a share against $1.48. Its shares gained $¼ to $46⅝. Mobil was unchanged at $37⅜, Exxon was flat at $68⅝ and Texaco advanced $⅝ to $35⅝ while Chevron fell $⅝ to $42⅛.

Armco, the fifth largest US steel maker, plunged to a loss of $59m in the third quarter from net profits of $78.2m a year earlier, reflecting deteriorating business and heavy restructuring costs. With Wall Street expecting no good news from the distressed steel industry, Armco's shares were unchanged at $6⅝, LTV was unchanged at $2¼ and Bethlehem Steel gained $⅛ to $6⅝.

Lear Siegler jumped $8 to $75. Late on Wednesday it announced it had asked Drexel Burnham Lambert to make proposals on restructuring the industrial group or find other ways to enhance shareholders' value.

A number of stocks were rising on what was seen as takeover speculation. Federated Department Stores gained $3⅜ to $94, W. R. Grace advanced $2⅜ to 53, E. F. Hutton gained $¼ to $46⅛ and Outboard Marine rose $1⅜ to $31⅛.

Goodyear, which has risen sharply in recent weeks for similar reasons, eased $⅜ to $42⅜ but was among the most active issues.

Credit markets took a host of economic data in their stride helped by weaker oil prices, stronger dollar and the lower yields on two-year Treasury bills at Wednesday's auction. Japanese buying of the dollar, a significant contribution to its firmness, indicated that Japanese investors were preparing to buy large volumes of US long bonds at the Treasury refinancing early next month.

Government bond prices gained as much as a point, with the 7.25 per cent benchmark Treasury bond due in 2016 finishing up ⅞ of a point at 94⅝ yielding 7.72 per cent.

Three-month Treasury bill yields fell 3 basis points to 5.25 per cent, six-month bill yields were unchanged at 5.34 per cent and year bill yields slipped one basis point to 5.43 per cent.

The September durable goods orders were higher than expected but the growth was largely attributable to aircraft orders. Personal income and consumption figures were in line with expectations while the September consumer price index showed that inflation remained under control.

With this week's figures leaving unchanged the general economic picture of low growth and a slight pick up in inflation, the market is turning its attention to the Treasury's funding activities next week. M1 fell by $5.1bn in the latest week to $696.5bn, a much steeper drop than forecast.

LONDON

A POOR SET of UK September trade figures upset London markets yesterday and the FT Ordinary index dropped 12.5 to 1,249.9. The more broadly-based FT-SE index ended 17.1 lower at 1,572.5.

Gilt bonds fell by three quarters of a point as tremors in the pound revived fears of a further rise in domestic interest rates.

New issue Mecca Leisure was given a boost when the Rank Organisation confirmed that it had sold its stake in Granada – built up during its abortive bid move against the television group. Mecca shares, offered for sale at 135p, closed at 144p.

Chief price changes, Page 41; Details, Page 40; Share information service, Pages 38, 39

AUSTRALIA

EARLY SUPPORT for blue-chip industrials gave way to scattered profit-taking in Sydney, ending a two-day rally and leaving the market to close easier in moderate trading. The All Ordinaries index ended 5.1 lower at 1,367.3.

A 2.6 per cent rise in the consumer price index, for the September quarter announced in the morning, was initially ignored by investors but profit-takers appeared later, following a series of record highs in the past fortnight.

Among industrials, media issue New Corp ended 80 cents lower at A$35.80 after peaking at A$37.50, while Herald and Weekly Times held steady at A$7.66.

CANADA

SLUGGISH trading set the tone in Toronto with only metals and mines making slight headway.

Leading active Continental Bank of Canada traded up C$⅜ to C$16⅞ after increasing its estimated common share payout under its previously announced acquisition by Lloyds Bank International.

Montreal was marginally higher.

SINGAPORE

EARLY GAINS were pared in moderate trading in Singapore as major operators remained cautious and unprepared to commit themselves ahead of today's Malaysian budget.

Profit-taking contributed to the weaker tone towards the close and the Straits Times industrial index lost 0.68 points to end at 894.44.

Among active stocks Sealion Hotels rose 1 cent to 69½ cents on a turnover of 4.1m shares, boosted by a large block deal. Sime Darby gained 1 cent to S$1.91

HONG KONG

RENEWED BUYING interest led a recovery from early losses due to profit-taking in Hong Kong, and the Hang Seng index rose 16.50 to close at 2,254.79.

Overseas institutions were large buyers and sentiment remained firm although there were no fresh factors.

Hang Lung, which placed 50m shares at HK$8.95 each in New York and London, rose 15 cents to HK$9.50.

SOUTH AFRICA

A DRIFTING bullion price and general lack of interest led gold shares to close easier in Johannesburg, with the weaker financial rand doing little to limit the falls. Industrials lacked direction with most prices unchanged.

Ofsils fell R7.50 to R134.50 and Kloof lost R2.50 at R35.50. Platinums and most other minings also tended easier

EUROPE

Paris rises above the caution

LITTLE PROGRESS was made on the European bourses yesterday as most centres continued to trade in a narrow range in thin volume.

Paris was the exception. A recovery in the bond market spilled over into the stock market as institutional buying gathered pace ahead of today's start to the November account.

Construction issues remained popular on the strength of the improved interest rate climate according to brokers. Spie Batignolles was the star of the sector with its FFr 53 surge to FFr 865, a high for the year, while Bouygues, which is expanding its retailing interests, jumped FFr 50 to FFr 1,365. Lafarge Coppée at FFr 1,305 was FFr 40 higher.

A more stable dollar aided the food sector as BSN put on FFr 94 to FFr 4,179 and Carrefour advanced FFr 110 to FFr 3,570.

The car sector, also encountered persistent buying as Michelin gained FFr 151 to FFr 2,500 and Peugeot closed FFr 22 up at FFr 1,099.

Frankfurt, which has found little inspiration in recent sessions, encountered late buying. The midsession calculation of the Commerzbank index reflected the sluggish earlier tone as it firmed 1.1 points to 1,939.5.

Sporadic buying developed in some blue-chip car and bank issues. Daimler jumped DM 12 to DM 1,221 in anticipation of the group's interim results, while its electronics and electrical subsidiary AEG added DM 6 to DM 320.

Banks set aside some of their recent fragility stemming from the Neue Heimat housing saga. Deutsche Bank recovered DM 9.50 to DM 771.50, while Dresdner firmed DM 4 to DM 388.50. Commerzbank, however, continued to lose ground with a further DM 1.50 decline to DM 302.

Retailers were buoyed by an Ifo research institute report which showed September retail turnover up sharply compared with the same period last year. Karstadt gained DM 4.20 to DM 468.20 and Horten added DM 1.50 to DM 236.50.

The bond market enjoyed heavy foreign bargain hunting which boosted prices by up to 1¼ points although most issues finished 50 basis points higher.

The stronger overnight close in US credit markets was behind much of the buying spree, which was also aided by the Bundesbank decision to leave German credit policies unchanged at its fortnightly meeting. Japanese support was detected throughout the market.

The tender for three, four and five-year Kassenobligation notes was easily assimilated, according to dealers.

Bundesbank market balancing operations amounted to sales of DM 186.1m of paper compared with sales of DM 114.5m on Wednesday. The average yield on public authority paper dipped to 5.97 per cent from the previous session's 6.00 per cent.

The new 6 per cent 1998 Federal government bond rose 45 basis points to 97.10 while the 5⅞ per cent 30 year issue surged ¾ of a point to 89.55 per cent.

Stockholm advanced on speculation that current labour unrest will be resolved soon. The Veckans Affarer all share index jumped 9.8 to 904.8 on turnover of SKr 408m.

Aga firmed SKr 1 to SKr 183 ahead of announcing an application for a Tokyo Stock Exchange quotation.

Fermenta was one of the few to move against trend with its SKr 5 fall to SKr 133 on the news of corporate resignations and restructuring following the collapse of the Montedison talks.

Brussels was mixed to slightly higher as sentiment remained hesitant ahead of the vote of confidence in the Government over its entangled language dispute.

Petrofina fell BFr 30 to BFr 9,380 as the industrial group denied rumours it was preparing a counter bid for IC Gas, subject to an offer from the US energy concern Gulf Resources and Chemical.

Zurich, Amsterdam and Milan were mixed in subdued trading. Madrid turned lower in light trading.

THE Bombay Stock Exchange suspended trading yesterday after a huge tax raid on local stockbrokers. Over 500 revenue officials raided offices and homes of more than 20 leading Bombay brokers and seized undeclared documents, cash and jewellery, according to Mr M. R. Mayya, executive director of the exchange.

The exchange, India's largest, has a daily turnover of about 200m rupees ($16m), or one-third of all national stock turnover.

The raids are part of an extensive government crackdown on the country's "black" or untaxed economy.

TOKYO

Institutions fuel record one-day rise

SPURRED by investment trusts' purchases of blue chips and a rally for major utilities, Tokyo staged its strongest ever rebound yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average soared 488.72 points to 16,308.27 after dropping 195 points in the morning, and scored its largest single-day gain. The previous record increase of 432.78 points was posted on August 25.

Reflecting renewed buying enthusiasm, turnover swelled from 395m to 540m shares. Advances led declines by 633 to 206, with 106 issues unchanged.

The strong rally was sparked by a halt in selling of Tokyo Electric Power and other major issues, which had nose-dived on Wednesday on light selling. Another favourable factor was the active buying of blue chips by investment trusts.

Blue chips surged almost across the board. Matsushita Electric Industrial jumped Y110 to Y1,810, Hitachi Y45 to Y1,020, NEC Y90 to Y2,100, Sony Y370 to Y3,600 and TDK Y360 to Y4,170.

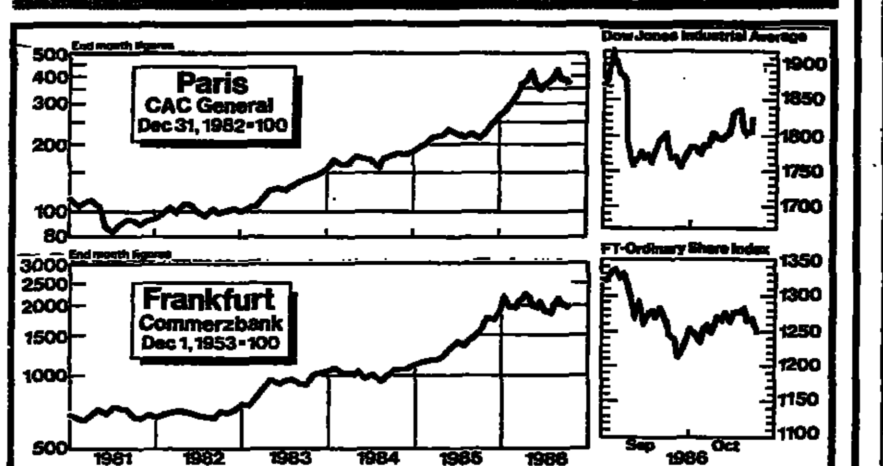
These sharp rises stemmed from the issues' low margin buying balances due to their unpopularity during the past year. Many blue chip electricals peaked in February and March 1985. Also contributing was the dollar's climb to over Y156 on foreign exchange markets

Nippon Kokan headed the actives list with 28.15m shares and closed unchanged at Y210. Ishikawajima-Harima Heavy Industries was second with 26.74m shares traded and added Y26 to Y433, while Tokyo Gas, third active, advanced Y30 to Y885.

Bonds were patchy. The bellwether 6.2 per cent government bond due in July 1995 dropped substantially, while peripheral issues maturing at about the same time soared.

The uneven performance resulted from dealers dumping 6.2 per cent bonds because of their high price compared to those of peripheral issues. The yield on the benchmark bond went up from 5.150 to 5.250 per cent, while that on the 6.5 per cent bond due in June 1995 plunged from 5.660 per cent to 5.550 on buying by banks.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Oct 23	Previous	Year ago
DJ Industrials	1,834.93	1,808.35	1,367.16
DJ Transport	829.38	816.75	660.81
DJ Utilities	202.15	199.56	157.93
S&P Composite	239.28	236.26	189.09
LONDON			
FT Ord	1,249.9	1,262.4	1,051.6
FT-SE 100	1,572.5	1,589.6	1,346.4
FT-A All-share	782.10	789.16	656.66
FT-A 500	852.90	861.83	717.66
FT Gold mines	277.7	286.6	262.5
FT-A Long gilt	10.56	10.46	10.15
TOKYO			
Nikkei	16,308.27	15,819.55	12,946.5
Tokyo SE	1,362.03	1,320.19	1,025.73
AUSTRALIA			
All Ord.	1,367.1	1,372.4	1,046.0
Metals & Mins.	702.9	710.3	530.2
AUSTRIA			
Credit Aktien	232.00	232.22	198.11
BELGIUM			
Belgian SE	3,816 60	3,818.64	2,755.26
CANADA			
Toronto			
Metals & Mins	2,114 6	2,113.80	1,796
Composite	3,013.9	3,021.60	2,652.8
Montreal			
Portfolio	1,530 90	1,527.19	128.12
DENMARK			
SE	n/a	198.44	236.11
FRANCE			
CAC Gen	n/a	370 60	211.8
Ind. Tendance	144.70	142.70	77.2
WEST GERMANY			
FAZ-Aktien	650 24	649.04	576.25
Commerzbank	1,939.50	1,938.40	1,704.4
HONG KONG			
Hang Seng	2,254.79	closed	1,666.71
ITALY			
Banca Comm	778.49	770.99	395.85
NETHERLANDS			
ANP-CBS Gen	269.80	270 90	218.9
ANP-CBS Ind	269.70	270 10	197.5
NORWAY			
Oslo SE	369 21	369.69	377.31
SINGAPORE			
Straits Times	894 44	895.12	774.13
SOUTH AFRICA		Prev	Year Ago
JSE Golds	—	1,932.0	1,109.5
JSE Industrials	—	1,374.0	965 8
SPAIN			
Madrid SE	191.60	192.28	93.10
SWEDEN			
J & P	2,515.77	2,486.09	1,408.96
SWITZERLAND			
Swiss Bank Ind	560 60	558 80	499.6
WORLD	Oct 22	Previous	Year ago
MS Capital Int'l	331.70	335 1	229 7

COMMODITIES

(London)	Oct 23	Prev
Silver (spot fixing)	406.30p	405.60p
Copper (cash)	£933.00	£926 50
Coffee (Nov)	£2,277 50	£2,237 50
Oil (Brent blend)	$14.05	$14.20

GOLD (per ounce)

	Oct 23	Prev
London	$424.75	$423.75
Zürich	$424.75	$424 25
Paris (fixing)	$421.50	$426 62
Luxembourg	$425.25	$425.80
New York (Dec)	$417.50	$429.70

* Indicates latest pre-close figure

CURRENCIES

(London)	US DOLLAR Oct 22	US DOLLAR Previous	STERLING Oct 22	STERLING Previous
$	—	—	1.4240	1.4320
DM	1.9945	1.9845	2.8400	2.8400
Yen	158.15	155.80	225.25	223.00
FFr	6.53	6.500	9.2975	9.3050
SFr	1.6430	1.6300	2.3400	2.3500
Guilder	2.2545	2.2430	3.2100	3.2100
Lira	1,379.5	1,373	1,964.5	1,965.5
BFr	41.40	41.30	58.95	59.05
C$	1.3890	1.38975	1.9755	1.9910

INTEREST RATES

Euro-currencies (3-month offered rate)	Oct 23	Prev
£	11⁷⁄₁₆	11⁹⁄₁₆
SFr	4⅛	4⅛
DM	4⅝	4⅝
FFr	8⅝	8⅝
FT London Interbank fixing (offered rate)		
3-month US$	6¹⁄₁₆	6⅛
6-month US$	6¹⁄₁₆	6⅛
US Fed Funds	5⅞*	5¹⁵⁄₁₆
US 3-month CDs	5.70*	5.975
US 3-month T-bills	5.26*	5.44

US BONDS

Treasury		October 23* Price	October 23* Yield	Prev Price	Prev Yield
6⅝	1988	100⅛	6.30	100⅛	6.355
7¼	1993	100⅛	7.21	99²⁹⁄₃₂	7.279
7⅜	1996	99²¹⁄₃₂	7.425	99⅝	7.485
7¼	2016	94¹⁹⁄₃₂	7.72	94⅝	7.755

Source: Harris Trust Savings Bank

Treasury Index Maturity (years)	Oct 23* Return index	Oct 23* Day's change	Yield	Day's change
1–30	156.31	+0.50	7.13	−0.05
1–10	149.81	+0.29	6.79	−0.05
1– 3	140.73	+0.08	6.34	−0.02
3– 5	152.59	+0.30	6.95	−0.05
15–30	179.70	+1.26	8.29	−0.07

Source: Merrill Lynch

Corporate	October 23* Price	October 23* Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	92.158	6.30	91.998	6.35
SCBT South Central				
10⅛ Jan 1993	107⅛	9.369	106⅞	9.421
Phibro-Sal				
8 April 1996	98⅜	8.25	97⅞	8.427
TRW				
8⅞ March 1996	102	8.433	101⅛	8.550
Arco				
9⅞ March 2016	105	9.370	104⅞	9.394
General Motors				
8⅜ April 2016	89⅞	9.133	89⅜	9.187
Citicorp				
9⅜ March 2016	96⅞	9.696	96⅝	9.749

Source: Salomon Brothers
Yield calculated on a semi-annual basis

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	96–08	96–14	95–20	95–19
US Treasury Bills (IMM) $1m points of 100%				
Dec	94.81	94 83	94.77	94.77
Certificates of Deposit (IMM) $1m points of 100%				
Sep	n/a	n/a	n/a	93.83
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	94 02	94.05	93.97	93.94
20-year Notional Gilt £50,000 32nds of 100%				
Dec	109–14	111–07	109–10	110–13

* Latest available figures